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Super D franchise drive launched
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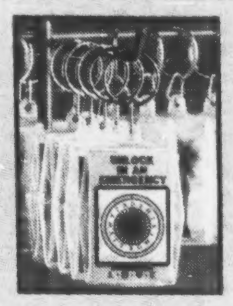

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DRUG STORE NEWS®

Vol. 9/No. 22 **Serving chains, wholesalers and high-volume independents for 58 years.** Published by Lebhar-Friedman Inc. November 9, 1987

CRASH! Puzzled execs 'take stock'

Chain drug stock prices plunge 32%

Company	Aug. 25	Oct. 26	% change
American Stores	$ 83.75	$ 54.125	−35%
Arbor Drug	14.75	8.50	−42
Begley Drug	18.00	13.50	−25
Big B	13.375	9.50	−29
Fay's Drug	9.125	6.125	−33
Genovese Drug	11.44*	10.25	−10
Longs	37.75	28.00	−26
Medicare-Glaser	4.125	2.50	−40
Medicine Shoppe	22.50	18.00	−20
Pay 'n Save	7.375	4.375	−41
Perry Drug	11.00	6.75	−39
Rite Aid	41.75	29.75	−29
Walgreens	43.875	26.75	−39
Total	**$318.82**	**$218.13**	**−32%**

*Adjusted to reflect an Oct. 7 three-for-two stock split

Source: Media General Financial Services

By David Vaczek

NEW YORK — Fay's Drug decided to rebuy up to one million common shares after its stock price skidded 33 percent between Aug. 25, when the Dow Jones Industrial Average peaked, and late October, when the market crashed.

Alco Health Services spent last month accelerating its stock buyback because its shares nosedived from $17.75 to $12.25 apiece, chairman John Kennedy told *Drug Store News*.

Similarly, Bindley Western's board endorsed a one million share buyback it called "an attractive investment," after its stock dropped 27 percent.

These are some of the efforts taken by drug retail and wholesale public companies to support their stock prices and garner some Wall Street bargains at the same time.

Executives at major companies expressed confidence about prospects.

In addition, Douglas Drug, the Rhode Island chain which operates 14 super drug stores, has put its plans to go public on hold until the stock market stabilizes, said chairman John Haronian.

Despite the industry stock crash along with the market last month, executives at major industry companies expressed guarded confidence about business prospects.

An exclusive *Drug Store News* industry index shows that 13 drug retailer stocks lost 32 percent of their total value between Aug. 25 and Oct. 26. Nine stocks of drug wholesalers declined in market worth by 39 percent. This compares with a 34 percent loss in value of the Dow Jones Industrial Average, which had peaked on Aug. 25.

"It's ironic, because the economic health of the drug

See **Crash,** *page 33*

Sells absorbs Revco domain

. . . but he's mute on plans

By Bruce Buckley

TWINSBURG, Ohio — Boake Sells listens.

The new chairman and chief executive of Revco D.S. Inc. has spent much of his first days on the job absorbing what people in the company, vendors and even competitors have to say about his new domain.

"I've been filling my head up with the company and its opportunities," Sells told *Drug Store News*.

But like a general surveying the field of an upcoming battle (his analogy), the former Dayton-Hudson president is delaying as long as possible his commitment to a specific plan of attack.

Skirts selloff issue

During an hour-long interview at Revco's Twinsburg, Ohio, headquarters, Sells talked mainly in general terms about Revco's future. He politely avoided questions about selloffs of drug stores and abandonment of markets.

But he did make several disclosures about other matters, including the following:

- Revco has spoken to "some people" about the sale of its problem-plagued Odd Lot Trading division. Sells stopped short, however, of saying that the 150-store division is on the auction block.

See **Sells,** *page 33*

Boake Sells in his new Revco quarters.

Hook Co. to buy 19 Eckerd units

First expansion since buyout

CINCINNATI — In its first major expansion since going private last year, Hook-SupeRx Inc. is buying 19 Eckerd stores in Virginia and West Virginia, the company said in an Oct. 21 filing with the Securities and Exchange Commission.

HSI will pay $6.6 million for store fixtures, inventory, and leasehold improvements in a deal that should help it build market share for its SupeRx division. SupeRx currently operates 24 stores in Virginia and 18 in West Virginia.

The agreement was made with Jack Eckerd Corp. Oct. 6, with a prediction the deal would be concluded in November.

HSI posts sales growth, meets LBO costs — Page 8

The buy will follow HSI's first public report on its operations since the Dec. 9 leveraged buyout, which shows the

See **Hook,** *page 33*

LATE NEWS

- LIVERPOOL, N.Y. — Lawrence J. Rose has been named new president and coo of Fay's, according to chairman/ceo Henry Panasci Jr. Rose moved from Thrift Drug, where he served 21 years, most recently as executive vp.
- CLEARWATER, Fla. — Eckerd withdrew its offer to sell 31 Maryland, Delaware and New Jersey stores after getting several insufficient bids. The company plans "to grow" those markets, and to remodel 10-12 stores there in 1988.
- YOUNGSTOWN, Ohio — Deep discounter Phar-Mor has received a $50 million senior subordinated debt facility from Westinghouse Credit to finance the addition of 100 stores in 1988 and 1989, and enlarge some of its 52 existing stores.
- TWINSBURG, Ohio — Revco D.S. has returned display fixtures to Gibson Greetings, ending one aspect of the $27.5 million lawsuit filed against the chain by the card vendor. The rest of the case is in discovery, an attorney said.

Pay Less purchases 24 Oscos

By Pamela Krein

WILSONVILLE, Ore. — Pay Less NW has firmed its grip in the Pacific Northwest with its recent purchase of 24 Osco Drug stores for an undisclosed amount.

The deal also brings Pay Less into Spokane, Wash., for the first time, and furthers Osco's realignment efforts. Last June, Osco swapped 11 Northern California stores and one Colorado site for 10 Longs Drug stores in Phoenix (See *Drug Store News*, July 6, 1987).

The purchase included 12 Osco stores in Washington, 10 in Idaho, one in Oregon and one in San Jose, Calif., and raised the Pay Less store roster to 248. Osco said it is now completely out of the Pacific Northwest and San Francisco

See **Pay Less,** *page 33*

Pay Less NW store count in four states

State:	Before Osco acquisition	Oscos acquired	Current total
Washington	36	12	48
Oregon	50	1	51
Idaho	7	10	17
California	134	1	135

*Pay Less NW also operates stores in Nevada, Texas, Colorado, Montana, Oklahoma and New Mexico.

Source: Pay Less NW

NEWS IN BRIEF

Bindley opens North Carolina DC

INDIANAPOLIS — Calling it the "new Atlanta" of the Southeast, Bindley Western Industries is moving into the Charlotte, N.C., market with a new 20,000-square-foot distribution center.

The facility is set to open in late December and will be operating by early January, C. Richard Zartman, president of Bindley Western Drug Co., told *Drug Store News*.

"We think Charlotte offers great growth opportunities," Zartman said. Sales and distribution functions will be handled from the new center, the drug wholesaler's 10th division.

Zartman estimated start-up costs at between $2 million and $3 million. He predicted that the new division will eventually generate more than $200 million in sales and employ about 20 people.

Stanley L. Neal has been named the general manager for the Charlotte facility, reporting to Zartman. Neal was previously director of the company's Prime Vendor Purchasing Program and assistant general manager of the Mid-South Division in Atlanta.

The Indianapolis-based company operates distribution centers in Orlando, Fla.; Houston, Phoenix, Dallas, Los Angeles, Atlanta and Indianapolis, and wholly-owned subsidiaries in Stamford, Conn., and Brockton, Mass. Bindley Western is one of the largest drug wholesalers in the country, with sales to exceed $1 billion in 1987, according to the company.

Boys' earthquake loss reported

LOS ANGELES — Financial losses from the Oct. 1 earthquake here are starting to appear on company earnings results. The Boys Markets, a chain of one drug store and 54 supermarkets, posted an extraordinary charge of $449,000 in the third quarter resulting from the quake, which registered 6.1 on the Richter scale.

While 30 to 40 of the stores only sustained minimal damage of about $100, approximately 10 stores each recorded $20,000 or more in damage, according to George Golleher, Boys senior vp.

Golleher said the damage was "predominantly product" with few structural problems. "We basically were very lucky."

The extraordinary charge impaired earnings growth in the quarter ended Oct. 4, to $2.62 million on sales of $174 million. In the previous year, the company posted third quarter net income of $2.20 million on sales of $149 million.

For the first nine months of the year, Boys reported sales of $408 million and income of $7.06 million. These figures cannot be compared to the previous year, since Boys operated under a different company during the first quarter of fiscal 1986.

Adams takes post at Revco

TWINSBURG, Ohio — Revco D.S. has named Ian J. Adams director of strategic computing, responsible for all data base, end-user computing and decision support systems.

Adams, 40, a native of Britain, was previously with Firestone Tire and Rubber Co., where he served as manager of decision support, microcomputing and office services.

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Vol. 9, No. 22 November 9, 1987

SuperD franchise drive launched

Chain now at eight units; 100 targeted within five years

Super D... Your First C oice..

Interior of a SuperD franchise in Memphis, Tenn.

MEMPHIS, Tenn. — SuperD has launched a major franchise program that underscores parent Malone & Hyde's commitment to the drug business, company officials said.

The effort will expand a current roster of eight drug stores to 100 in five years, as the franchise growth rate outstrips that of corporate-owned stores, which number 101 today, Bob Billings, drug division president, told *Drug Store News*.

The program signals a recommitment to the drug retail and wholesale side, two years after M&H, primarily a food wholesaler, had sought purchase bids for its SuperD drug business.

The $3 billion company had sought to sell the stores during a period when drug chains were selling at high multiples, but failed to receive an adequate offer when a buyers' market began to prevail, Billings recalled.

The drug division now plans to use franchising as the best way to achieve M&H's high return on investment goals, and meet tighter cash flow requirements imposed by its Sept. 1984 $585 million management leveraged buyout, Billings said.

"We don't have to spend $350,000 to open a new store," said Billings, noting that franchise developement requires little asset investment.

Billings said one-year-old M&H Franchising Inc., a reorganized franchising operation, has started marketing aggressively to independents within SuperD's ADIs within a 300-mile radius of Memphis.

"We have an awful lot of interest from independents in small towns, where we can't go with corporate stores," said Billings.

Independents have become more receptive. "There is a real dilution occurring in most markets, because most of the large supermarkets feel they need a pharmacy, and they're taking a big slice of the H&BA pie," Billings said.

The 200 independent pharmacies supplied by M&H are candidates.

Corporate units are being targeted for sites that can promise a fast payback. "We plan to take all of the sites that we project will hit our five-year hurdle rate. We're managing cash, and we don't want to take locations that don't have a pretty quick payoff," Billings said.

M&H had bought back its 15 outstanding franchise contracts two years ago when it attempted to sell the SuperD stores and leave the drug business. At one time SuperD had about 35 franchise stores.

After a year without franchising, the franchise program was reorganized last year, using a separate staff to allow a tighter focus on franchise marketing and support. Franchises under the old program were sometimes slighted in favor of corporate stores, when district managers had responsibility for both, officials said.

Ron Lewis, a former district manager and SuperD franchise owner, is director of franchising, with a beefed-up 10-person staff that may expand to 13 this year, Billings said.

Billings said at least 12 more franchises will open in fiscal 1988, ending Sept. 1, making over 20 by year's end. Expansion will continue at the pace of 20 to 25 a year.

"I'm confident that we will make that, and I suspect we will exceed it significantly," said Billings.

Lewis said the growth is on target after stores number seven and eight were signed in Memphis and Jackson, Miss., last month.

"We're offering the pharmacist the ultimate goal of owning his own store. It's one of the strongest recruiting tools we have," said Lewis.

SuperD looks for strong independents, with growth potential. The average new franchise builds sales 30 percent in the first year, Lewis said.

Stores range from 3,500 square feet to 7,200 square feet and sport the chainwide black, red and gray decor. Their format is based on the convenience-oriented layout of SuperD corporate stores. That includes gondolas slanted toward a center aisle which channels shoppers from the front entrance to the rear-of-store pharmacy.

Franchises also receive custom pricing, rebate incentives for buying merchandise from M&H, the Hyde Park and Professional Touch private label products, free accounting services and third-party bill processing.

Besides an upfront inventory investment that varies, the independent pays a 3 percent of sales royalty, and an added 1½ percent for advertising, including regular circulars and coupon books.

M & H to begin licensing 'Consumer's' apothecaries

MEMPHIS, Tenn. — Malone & Hyde's drug division will begin franchising apothecary-sized stores under the "Consumer's" banner.

"We feel this will have a lot of appeal for pharmacists who want to get into business for themselves, but don't want the front end," drug division president Bob Billings told *Drug Store News*.

The program will be developed under the drug division's one-year-old franchising arm—M&H Franchising Inc.—to set up stores in markets where the drug division currently operates.

It offers the same potential for high return on funds invested as does the division's current push for franchising its conventional-sized SuperD drug stores, Billings said.

The franchises will assume the name of the 38-store Consumer's chain of 1,800-square-foot to 2,800-square-foot stores in Arkansas, Oklahoma, Wisconsin and Missouri that will be retained as corporate stores.

M&H also owns and operates the chain of bantam Petty stores based in Little Rock, Ark., and the Pay Rite chain in Springfield, Mo. Billings said southern Missouri franchise stores might be offered the Pay Rite label, since the Consumer's logo isn't available for M&H to use in that state.

Consumer's' pharmacies typically account for 85 percent of sales, with the remainder from a front-end of cherry-picked OTC and cosmetics products.

A Consumer's franchise would be one of a small handful of chains of franchised apothecary stores in the country. Besides Medicine Shoppe, the coast-to-coast 700-unit franchisor, only the the 63-store Medicap Pharmacies Inc. of Des Moines, Iowa, uses the concept.

Billings said first-time owners won't be the only prospects for a franchise. The crush of competition—particularly from Wal-Mart, which is putting pharmacies into its small town market stores—is pressuring independents to seek out survival routes.

A portfolio of drug store household product promotions:

Tide
Tide Laundry Detergent
2.99
89¢
Pay 'n Save
PALMOLIVE Liquid Dishwashing Detergent 48 oz.
$1.68
Palmolive
Coupons
SUN LIGHT
Vons
4 $1 FOR
CLOROX
Eckerd
HOUSEHOLD
FANTASTIC BUYS AT
YES LAUNDRY DETERGENT
1.88
99¢
Fay's
SAVE 72¢
Lysol
Revco
HOUSEHOLD SAVING DAYS
JOY LIQUID 22-OZS
99¢
AJAX CLEANSER 14-OZS 3 FOR $1.00
LYSOL DISINFECTANT SPRAY ASSORTED 12-OZS. $2.19
Standard Drug

Household supplies promos help buyers clean up

Drug chains have activated household chemicals' traffic and profit benefits through regular promotions priced within pennies of the competition, chain merchandisers say.

Household cleaners and fresheners are strong traffic builders when stores are willing to go to the mat on price and keep updated assortments of the task-specific new brands shoppers want, said buyers.

Many buyers said they promote at or slightly above cost, using vendors' payments for shipped merchandise to subsidize advertising or insure the category creates a net profit.

Some chains then recover margins through everyday departments that capture the convenience buy, often at convenience store prices.

Douglas Drug of Rhode Island posts strong sales when it promotes such items as liquid dishwashing detergent and laundry detergent, said a chain merchandiser.

"We're very fast to react to new products. We jump on it, give it distribution, and schedule it for an ad, and we enjoy tremendous sales at full price [spurred by vendor coupons]," he said.

Douglas then typically follows up with an ad feature of its own with cents off the everyday price.

"We've found when we tie a promotion in with manufacturer couponing, we get phenomenal sales," he said.

Douglas reserves in-and-out promotions for merchandise that is bought on deal (off-label, bonus packs). It carries a 36-foot everyday section of detergents and cleaners that produces "a fair margin." "It's an added sale that helps us create a one-stop shopping image," he said.

Harco generates 20 percent margins from a 24-foot everyday section, though most of its sales come from in-and-out center-aisle stackouts promoted at cost, said Keith Connell, director of merchandising. Top movers have been Texize's Yes, Liquid Tide, and Procter & Gamble's new Dash in introductory promotions.

To keep up with new SKUs that consumers want, Harco may expand footage. Competitors, including Revco and Eckerd, feature 48 feet.

Connell isn't alone in feeling pressure to expand assortmemts. Vendors' steady unveiling of new brands is fueling strong category growth, as consumers respond to more task-specific products.

"The name brand guys are pushing quality, and it works," said Chris Anthony, a merchandiser with Pay 'n Save. Where an all-in-one cleaner once sufficed, for example, shoppers now look for cleaners targeted for specific surfaces, such as tile, bathroom, vinyl, and formica, Anthony noted.

While seeking quality, shoppers are also more attuned to value, possibly a result of the influence of the price clubs on the West Coast. The result has been closer shopping of larger sizes at the Seattle chain, says Anthony.

"The more competitive prices seem to be falling on the larger sizes. People are willing to buy in quantity to save" and stock up, Anthony said.

Pay 'n Save combines a regular 48-foot planogram capturing the convenience purchase demand, with promotions at or near cost.

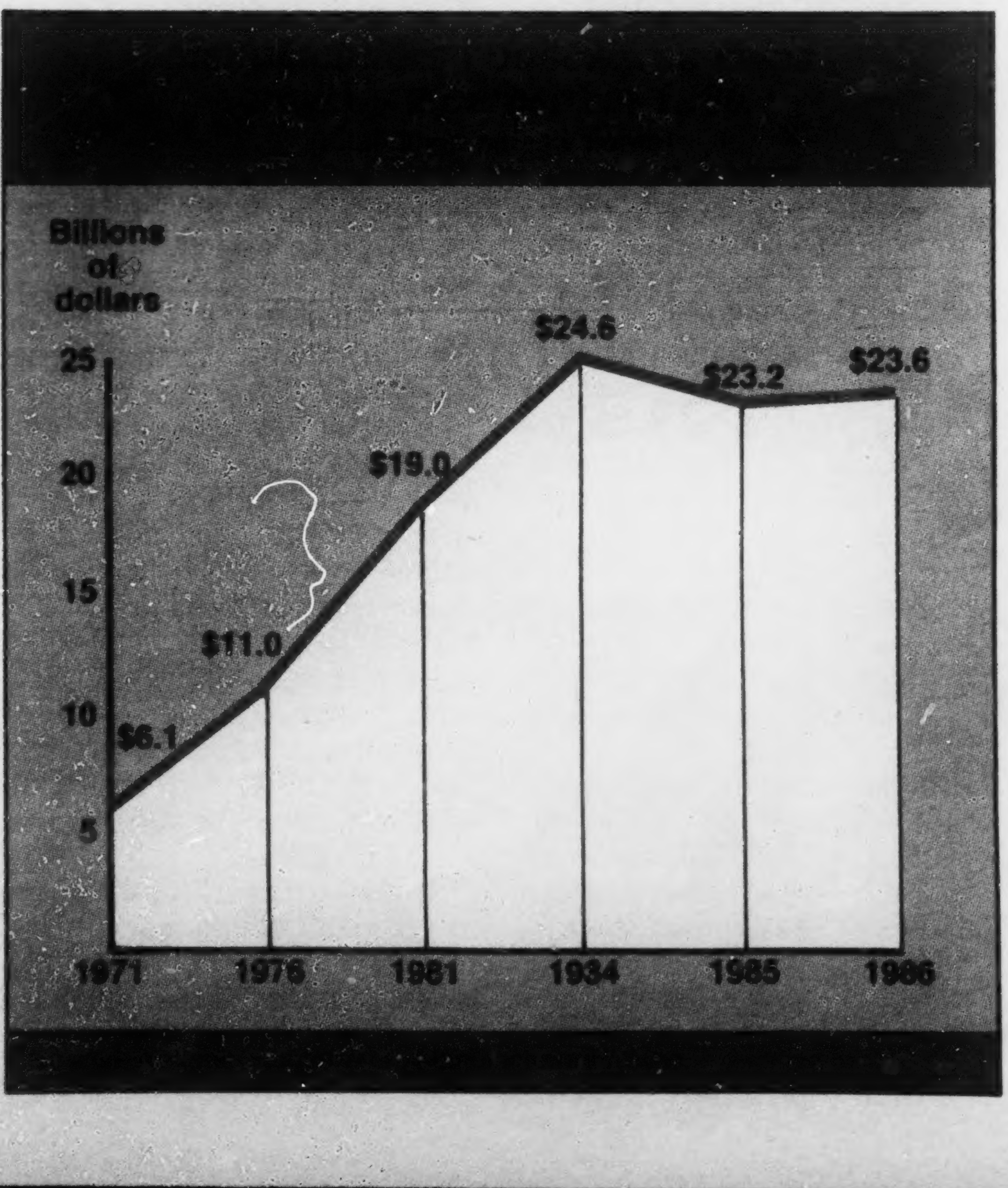
Chemicals accounted for three of six items featured in a September Pay 'n Save "Super Six" sale newspaper ad, with a 1-gallon Clorox bottle at 89¢, Tide (72 ounces) at 40 percent off at $2.99, a one-third-off $1.39 value for a 22-ounce Windex.

Since price competitiveness is critical in this high replenishment category, small chains can be hampered if they can't receive buying efficiencies to battle supermarkets and mass merchandisers.

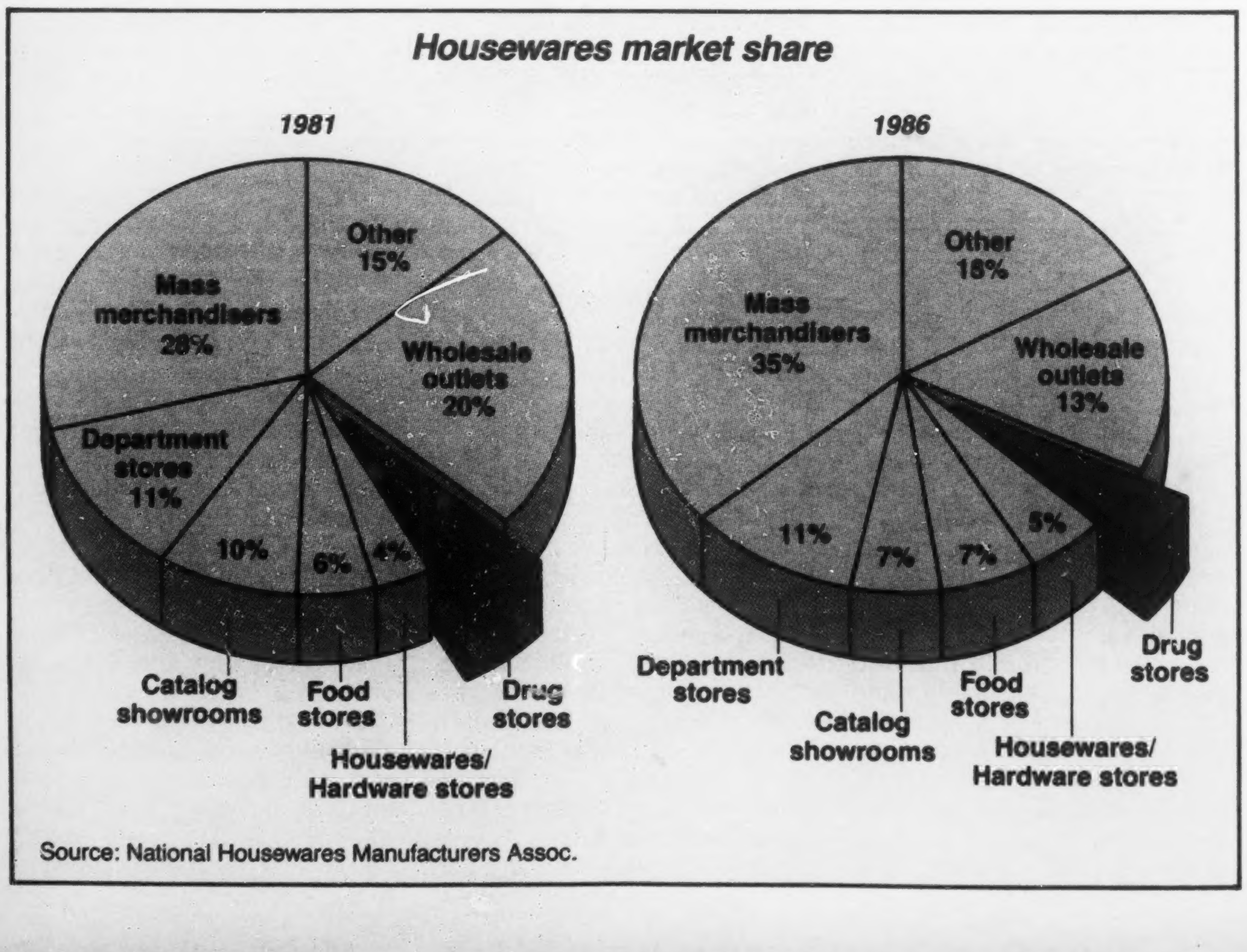
Eleven-store Birch Drug has limited its exposure because the local DeMoulas supermarket chain is able to sell chemicals at retail more cheaply than Birch can buy them from vendors, said Andy Chiras, Birch's director of merchandising.

Receiving shipments of up to 10,000 cases at a time, DeMoulas has sold half-gallons of Wisk at $1.89. The vendor's deal price to Birch is $1.94, Chiras said.

Birch keeps an 8-foot convenience section, and will promote pre-price items, such as a recent $1.19 Lux offer, and Pledge at 99¢.



Housewares market share



Source: National Housewares Manufacturers Assoc.

Market crash spurs industry buyback activity

Continued from page 1

industry has never been better," said Jack Fay, Bergen Brunswig's vp-communications, summing up the view of many polled.

Pharmaceutical and general merchandise suppliers to the trade also bought back shares, in moves viewed as votes of confidence in the industry's health as well as ways to support decimated stock prices.

R.P Scherer, Bristol-Myers, Schering-Plough and Gibson Greetings were among companies that announced stock repurchase plans.

"It is our belief that the acquisition (of common stock) at prices which do not reflect the company's full worth is an excellent investment opportunity," said Henry Panasci, Jr., Fay's chairman, after the board authorized the purchase of up to one million shares.

"This action will. . . enhance shareholder value, and reaffirms the (board's) confidence. . . in the company's future," Panasci announced Oct. 21.

Fay's stock lost 33 percent of its market value from Aug. 25 to Oct. 26, sliding from $9.125 to $6.125.

While the Dow Jones hit its lowest point on "Black Monday," Oct. 19, the total value of the retail and wholesale stocks tracked by *Drug Store News* continued to slide into the following week. Retail and wholesale stocks hit their lows on Monday, Oct. 26.

Many company spokesmen expected to see a rebound in their stock prices, and most

See **Crash,** *page 34*

Sells, new Revco ceo, mum on future plans

Continued from page 1

- The Twinsburg, Ohio-based chain expects to divest all of its noncore businesses ahead of the November 1988 deadline, set as part of Revco's commitment to reduce its bank debt by some $225 million. The latest development is Revco's agreement to unload its Baltimore-based Barre-National Division, maker of liquid pharmaceuticals and OTC drugs, to A.L. Laboratories of Fort Lee, N.J.,for approximately $95 million.
- Revco has not met its goal of increasing annual sales by 12 percent as part of its plan to stay abreast of its massive leveraged buyout debt load. But expense control is better, Sells said, and the "board is satisfied" that the company is meeting overall goals.

Chilling effect

Sells' reticence about possible store selloffs or market retreats is understandable. As an acknowledged "people oriented" executive (the description of Jeffrey A. Cole, chief executive of Cole National Corp., the billion-dollar specialty retailer where Sells earned his business spurs), Sells knows that a ceo's loose talk about strategic market changes can have a chilling effect on soldiers in the trenches.

So while outsiders say that Revco has a number of markets that can't be defended and the company will have to trade stores and trim its scope in its efforts to regain lost strength, Sells will talk only in very general terms about the long-term scenario for his chain.

There are, he says, at least two basic changes that he is eager to make. First, he wants to introduce an "organized presentation" of merchandise at store level to make it easier for customers to shop. Second, he wants to take the complexity out of running the stores by eliminating much of the grinding paperwork.

Both goals are interrelated and both are driven by the desire to serve customers better. They also strike at the heart of Revco's recent operational headaches.

Sells, sensitive to the effect of his words on people in the field, is careful to blame Revco's well publicized past problems on "inadequate systems" that have failed to deal with the complexity of running a huge, farflung chain of more than 2,000 stores, rather than on the "very dedicated, very hard-working people" who are "eager to get on with it."

At another point, Sells says, "The stores have to be simplified," adding that the complexity has to be returned to headquarters and the distribution center. "The people in the stores have to be able to spend their time with customers, not paperwork."

A Revco cosmetics department. Sells hopes to make shopping easier.

Customer interaction is especially important for pharmacists, Sells notes. "The pharmacy's 'value added' is consultation. If the pharmacist is burdened with too many other things, he or she can't do that."

People's pay is priority

But among his first priorities is to iron out the details of people's pay and work conditions. You have to get it right," he says, "or people don't work well. They feel cheated."

The new chief executive also wants to see Revco become a leader in new product presentation. "If Procter & Gamble introduces a new toothpaste, we want to be first, or at least among the first, to have it on our shelves."

Sells made additional points during the interview, including the following:

- Revco will pursue an aggressive competitive policy based on "everyday low pricing" plus promotional tabs.
- Stores will become a dependable source of merchandise for consumers, as Revco puts greater emphasis on continuity and gets away from "fooling around" with categories, as Sells put it.
- Pharmacy is "going to be defended, protected, improved."

Above all, Sells says, "We're not going to be in a business where we cannot be competitive in every way." That includes price, easy-to-follow store layout, in-stock position, improved merchandise assortment and faster checkout, he says.

For the future, he adds, "There are going to be a lot more changes at Revco. What those changes will be is impossible to say. But I do know that we can serve the customer a whole helluva lot better."

Hook-SupeRx buys 19 drug stores in Va. and West Va.

Continued from page 1

company is meeting its costs, with working capital to spare. (See related story, p. 8.)

In a nine-month fiscal period ended Aug. 31, 1987, HSI opened a net of six drug stores, all Hook units, ending with 666 drug stores, it reported to the SEC in a registration statement that pertains to debentures it sold last year.

Industry sources said the sale made sense, since most of its Virginia units are in the West, closest to SupeRx markets, and Eckerd has been exploring the sale of other markets distant from its southeastern base.

Eckerd spokesman Michael Zagorac said the stores were sold as part of the company's ongoing "redeployment of assets."

Meanwhile, Eckerd revealed that it has withdrawn its offer to sell 31 stores in Maryland, Delaware and New Jersey. Zagorac said the company received "several offers that didn't recognize the value that we believe" the stores have. The Eckerd spokesman said the chain plans "to grow" those markets and would remodel 10-12 stores there next year.

The sales of the 19 stores to Hook-SupeRx takes Eckerd out of West Virginia, where it had four stores, and leaves the chain with 13 stores in Virginia.

Sources in western Virginia markets said that Eckerd units in the Roanoke and Harrisburg metro markets haven't met performance goals against competitors, including SupeRx and Revco. Those Eckerd units in the small town markets in the state's western panhandle have fared better, sources said.

—David Vaczek

Pay Less NW acquires 24 Oscos, firms grip in Northwest

Continued from page 1

Bay Area markets.

Osco, which operates 646 stores, said several other chains also sought the sites. Pay Less said it had been pursuing several acquisition possibilities. The result was "a good deal for both of us," explained Pay Less executive vp Timothy McAlear.

Osco did not explain why it sold these stores, but one industry analyst told *Drug Store News* that the sales were part of the chain's overall realignment. Osco said its large Southern California market will stay intact.

Pay Less took possession of the Osco stores—which range in size from 16,000 square feet to 41,000 square feet, but average 20,000 square feet to 25,000 square feet—in mid-October. The deal included Osco's store personnel and merchandise, except the private label items.

The stores closed their doors briefly one evening to allow Pay Less to take inventory, and by the next morning the shift had been completed.

Name to be converted

Stores will operate initially under the Osco banner, but the name will be changed to Pay Less within a month, according to McAlear. As signs are converted, McAlear said the additional stores will be included in the company's advertising program. Until this is completed, special ads are being created to feature the Osco/Pay Less merchandise mix.

McAlear said Pay Less will "look at the strengths and weaknesses in those stores," then gradually change their merchandise mix to conform to chainwide standards. Although the core drug products will not vary significantly, McAlear said the Pay Less mix will increase the sporting goods, auto products, and hardware selection, using what had been seasonal space in Oscos.

Since many of the stores are in existing markets, McAlear said distribution would not be a problem.

McAlear considers the Spokane entry as an added bonus for Pay Less. "It's tough to go into a market like Spokane and find locations."

In Spokane, Pay Less faces competition from Pay 'n Save, Thrifty and Drug Fair, as well as competition from grocery operators Albertson's and Rosauer's, and one-stop-shopping stores Shopko and Fred Meyer.

Crash spurs stock buyback activity throughout industry

Continued from page 33

chains said sales appear to be unaffected by the stock crash.

"I don't think there's any relation between the price of the stock and what's happening in the marketplace," said Bill Combs, vp-administration and treasurer at Longs Drugs.

"As of this time—it may be a little too early to tell—we haven't seen any changes in consumer purchasing habits," said Combs.

Little effect on sales seen

"I don't anticipate much of an effect on sales," echoed Frank Bergonzi, senior vp-finance at Rite Aid.

"If it has an impact on consumer spending, I think it will be on the high-ticket items," Bergonzi added.

Gerald Nathanson, Pay 'n Save's chairman, though, detects some bearishness in shoppers. Nathanson said there has been "a dampening of enthusiasnm out there. The market itself is going to cause a slowdown in sales."

Among drug chains which had undergone leveraged buyouts, Revco was seen as particularly vulnerable because its LBO was based largely on sales of assets, which could be affected by a slumping market. But the chain feels well positioned, according to Greg Wilson, Revco's director of investor communications.

Wilson said Revco's asset sale program is well under way, and was substantially advanced last month with the sale of its Barre-National subsidiary to A.L. Labs for approximately $95 million.

"Certain debt of the company has interest rate risk, but the quick execution of the divestiture program, and normal company controls on cash flow, are ways to control the risk," Wilson said.

Gayl Doster, Hook-SuperRx vp and cfo, said the chain is protected by fixed interest rates on its buyout debt: "We feel we protected ourselves, and we feel very comfortable," said Doster.

Bergen Brunswig is considering a repurchase, since the stock is "an extraordinary value," said Fay.

He feels the stock crash stemmed from "investor fear, compounded by computer trading, concern about interest rates, and reaction by the foreign markets."

McKesson had repurchased 2.4 million of its shares in the year's first six months, and has authorization to buy an additional 1.8 million shares.

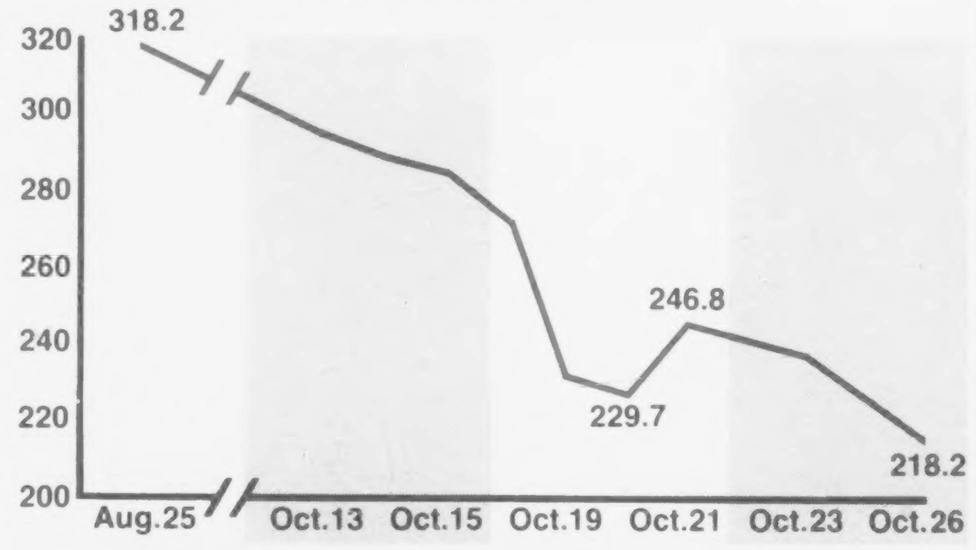
Douglas has tabled an IPO of 1.1 million shares at $5 a share, believing it would not receive full attention from investors until the market stabilizes, said chairman Haronian.

"When they're knee-deep in paper, the last thing they want to look at is an initial stock offering," said Haronian, adding: "We're not forced to go to the market, so we're taking a back seat."

He said the chain planned to reevaluate when to make the offer at a board meeting set for Nov. 2.

***Drug Store News* Drug Chain Stock Index**

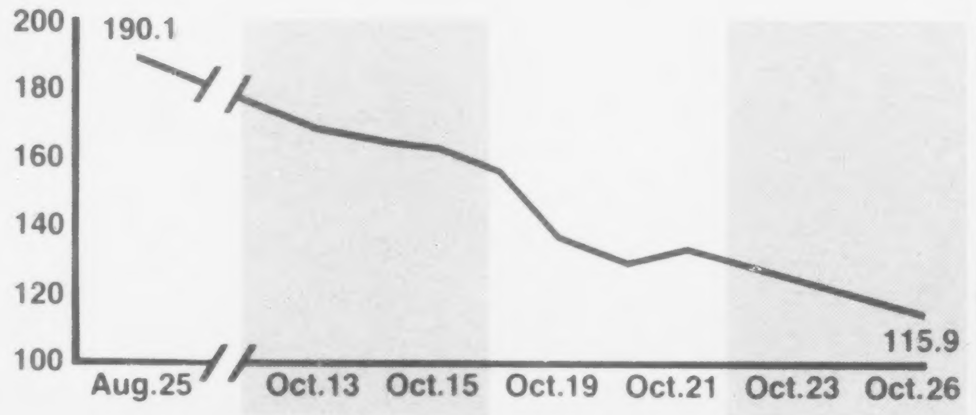
Total stock values of 13 public companies
Aug. 25, Oct. 13-26



The Drug Store News Drug Chain Stock Index is the total of the stock prices of these 13 companies: American Stores, Arbor, Begley, Big B, Fay's, Genovese, Longs, Medicare-Glaser, Medicine Shoppe, Pay 'n Save, Perry, Rite Aid, and Walgreen.

***Drug Store News* Drug Wholesaler Stock Index**

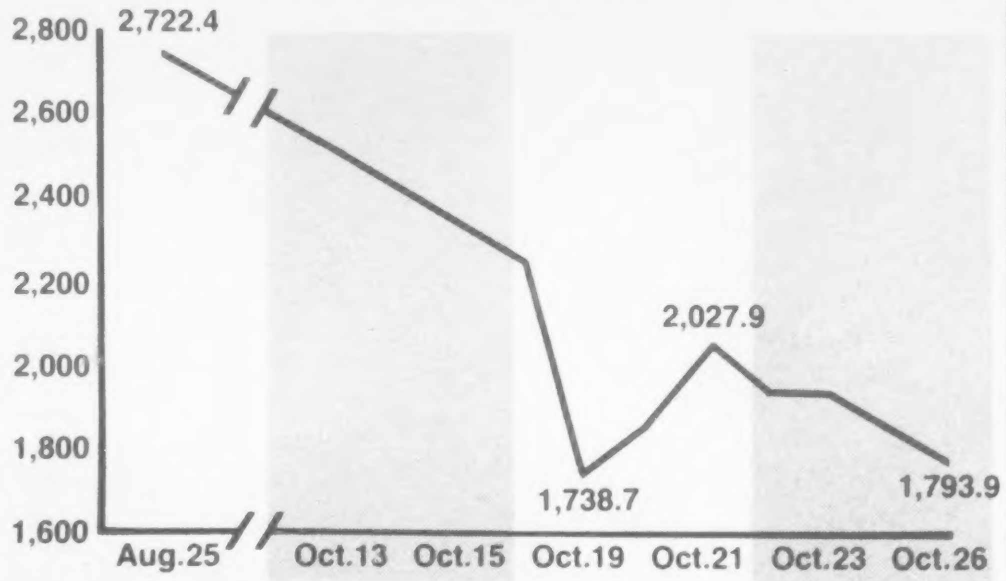
Total stock values of nine wholesale companies
Aug. 25, Oct. 13-26



The Drug Store News Wholesaler Index is the total of the stock prices of these nine wholesale companies: Alco Health Services, Bergen Brunswig, Bindley Western Industries, Cardinal Distribution, Durr Fillauer, Ketchum, McKesson, Moore Medical, and Owens & Minor.

Dow Jones Industrial Average

Aug. 25, Oct. 13-26



		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 10/09/87 - 10/26/87							Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change		Latest P/E Ratio	Indicated Dvd. Rate	
					Change		52-Week							
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	73.75	48.50	54.13	-19.75	-26.73	86.25	48.50	3.79	.01 s	.3	13.5	.84	1.6
Arbor Drugs	ARBR	13.75	8.50	8.50	-4.75	-35.85	21.75	8.50	.81	-.16 f	-16.5	10.5	.00	.0
Begley Co	BGLY	16.25	11.50	13.50	-1.50	-10.00	20.00	11.50	.04	-.92 q	-87.6	NM	.72	5.3
Big B	BIGB	13.25	9.50	9.50	-3.50	-26.92	15.38	9.50	.61	-.06 s	-8.8	15.3	.06	.6
Drug Sys	DRGS	8.63	6.13	6.13	-1.63	-20.97	8.63	5.00	.56	1.04 q	NE	9.6	.45	7.3
Fay's Drug	FAY	8.38	5.25	6.13	-2.13	-25.76	10.00	5.25	.29	.27 s	225.0	15.7	.20	3.3
Genovese Drug	GDX	15.88	9.25	10.25	-5.50	-34.92	16.13	6.91	.34	.23 s	79.3	19.7	.16	1.6
Longs Drg Strs	LDG	35.75	25.38	28.00	-6.63	-19.13	41.00	25.38	1.78	.23 s	13.3	14.3	.80	2.9
Medicare Glaser	MGCO	4.00	2.31	2.50	-1.25	-33.33	5.25	2.31	.21	.37 q	NE	11.4	.00	.0
Medicine Shoppe	MSII	25.25	18.00	18.00	-7.13	-28.36	25.50	17.69	.67	.14 n	22.2	23.4	.00	.0
Pay n Save	PAYN	6.88	4.38	4.38	-1.38	-23.91	8.88	4.38	-3.32	-.48 n	NE	NE	.00	.0
Perry Drug	PDS	10.75	6.63	6.75	-4.00	-37.21	15.38	6.63	.59	-1.11 n	-100.0	NE	.22	3.3
Rite Aid Corp	RAD	38.88	28.50	29.75	-7.75	-20.67	46.25	27.75	1.89	1.59 s	100.6	9.4	.66	2.2
Walgreen Co	WAG	38.75	24.75	26.75	-11.38	-29.84	44.88	24.75	1.68	.01 f	.6	15.9	.60	2.2
Wholesaler's transactions														
Alco Hlth	AAHS	17.00	12.25	12.25	-4.75	-27.94	21.38	12.25	1.20	.01 n	.8	9.9	.00	.0
Bergen Bruns	BBCA	23.25	14.88	14.88	-8.63	-36.70	27.50	14.88	1.19	-.35 f	-22.7	12.5	.32	2.2
Bindley Wstn	BIND	10.25	7.63	7.63	-3.25	-29.89	17.00	7.63	.83	-.20 s	-23.0	11.4	.00	.0
Cardinal Distrb	CDIC	16.25	10.75	10.75	-5.75	-34.85	21.81	10.75	1.11	-.15 q	-11.9	9.7	.08	.7
Durr Fillauer	DUFM	11.50	8.50	8.50	-3.00	-26.09	13.88	8.50	.82	.02 s	2.5	10.5	.17	2.0
Ketchum	KCH	18.00	10.25	10.25	-7.63	-42.66	26.75	10.25	-1.40	-2.23 q	NE	NE	.00	.0
McKesson Cp	MCK	33.50	24.25	26.25	-6.63	-20.15	39.63	24.25	1.95	-.08 q	-4.0	13.5	1.28	4.9
Moore Med	MMD	21.75	12.38	12.75	-9.13	-41.71	33.25	12.38	1.53	.02 s	1.3	8.4	.00	.0
Owens & Minor	OBOD	18.75	12.50	12.50	-6.50	-34.21	22.13	12.50	1.24	.27 n	23.5	8.8	.36	2.9
Manufacturer's transactions														
Abbott Labs	ABT	59.38	40.00	43.38	-15.38	-26.17	67.00	40.00	2.32	.43 n	19.5	16.4	1.00	2.3
Am Home Prod	AHP	84.00	62.00	69.50	-14.50	-17.26	96.75	62.00	5.18	.55 n	10.9	12.4	3.34	4.8
Baxter Travenol	BAX	37.50	15.50	19.38	-7.75	-28.57	37.50	15.50	.79	.14 s	19.4	22.5	.44	2.3
Block Drugs Co	BLOCA	29.00	22.00	22.00	-6.50	-22.81	34.50	22.00	2.03	.26 q	14.1	10.5	.54	2.5
Bolar Pharm	BLR	21.75	11.00	13.38	-8.25	-38.15	26.50	9.75	.52	.15 s	35.7	23.5	.03	.2
Bristol-Myers	BMY	48.25	28.25	36.50	-11.38	-23.76	55.81	28.25	2.07	.36 s	18.5	15.8	1.40	3.8
Carter-Wallace	CAR	80.50	48.00	55.00	-21.88	-28.46	151.00	48.00	4.27	.55 q	14.1	12.4	1.08	2.0
Forest Labs	FRX	26.75	13.13	14.00	-12.75	-47.66	30.00	13.13	.77	.28 q	50.9	16.9	.00	.0
ICN Pharm	ICN	11.88	5.75	6.25	-5.50	-46.81	30.00	5.75	.52	1.70 n	NE	NC	.00	.0
Lilly Eli Co	LLY	93.88	57.75	65.88	-27.50	-29.45	107.75	57.75	4.01	.38 s	9.7	15.4	2.00	3.0
Lee Pharm	LPH	4.88	2.75	3.25	-1.63	-33.33	14.13	2.75	1.43	-.52 n	-52.5	6.9	.00	.0
Leiner P Nutri	PLI	12.00	7.38	8.25	-3.88	-31.96	20.50	7.38	1.01	.12 q	13.3	8.1	.00	.0
Marion Labs	MKC	33.38	20.13	22.50	-11.00	-32.84	41.50	17.81	.61	.26 f	74.3	36.9	.20	.9
Merck & Co	MRK	208.63	147.00	155.00	-45.00	-22.50	223.00	100.50	4.85	1.64 n	36.0	25.0	3.20	2.1
Morton Thiokol	MTI	52.88	31.00	34.00	-18.00	-34.62	54.75	31.00	2.90	.28 q	10.1	11.1	.84	2.5
Mylan Labs	MYL	13.88	7.63	7.75	-6.13	-44.14	17.38	7.63	.65	.03 q	4.8	11.9	.10	1.3
Newport Pharm	NWPH	5.25	2.81	2.81	-2.44	-46.43	8.63	2.81	-.17	-.23 q	NE	NE	.00	.0
Par Pharm	PRX	23.50	13.25	13.25	-8.75	-39.77	27.25	10.00	.45	.47 n	120.5	15.4	.00	.0
Pfizer Inc	PFE	66.00	40.00	45.00	-20.75	-31.56	77.00	40.00	3.90	.47 s	12.8	10.9	1.80	4.0
Robins, AH	QRAH	28.00	16.50	18.00	-10.13	-36.00	29.63	7.50	3.38	.80 s	29.5	5.1	.00	.0
Rorer Group	ROR	55.88	35.00	35.38	-20.75	-36.97	58.75	35.00	5.78	-6.69 s	-94.5	90.7	1.16	3.3
Scherer RP Cp	SCHC	15.63	11.63	12.00	-3.75	-23.81	21.88	11.63	.80	1.98 q	NE	14.0	.36	3.0
Scher Plough	SGP	52.50	31.25	39.00	-11.63	-22.96	55.25	31.25	2.17	.32 s	15.2	16.0	1.00	2.6
Squibb Corp	SQB	92.75	60.50	64.75	-28.38	-30.47	102.88	50.94	2.57	.64 s	27.1	21.6	1.20	1.9
Sterling Drug	STY	59.50	35.25	46.63	-12.00	-20.47	69.25	35.25	2.91	1.25 n	60.1	14.0	1.52	3.3
Syntex Corp	SYN	41.75	20.00	28.00	-13.25	-32.12	48.75	20.00	2.07	.53 f	34.4	13.5	1.00	3.6
Thompson Med	TM	18.75	11.50	11.50	-7.38	-39.07	25.00	11.38	.84	.14 n	14.6	10.5	.40	3.5
Upjohn Co	UPJ	40.75	22.63	27.50	-12.50	-31.25	53.75	22.63	1.35	.31 n	24.2	17.3	.60	2.2
Warner-Lambrt	WLA	83.75	48.25	59.25	-20.50	-25.71	87.50	48.25	4.18	7.04 n	NE	14.8	1.80	3.0
Zenith Labs	ZEN	7.00	3.38	3.63	-3.25	-47.27	13.50	3.38	-.19	-1.28 s	-100.0	NE	.05	1.4
Other Retailer transactions														
Albertson's Inc	ABS	32.00	20.25	23.00	-8.75	-27.56	34.00	20.25	1.50	.22 s	15.4	13.9	.48	2.1
K mart Cp	KM	37.88	21.63	24.13	-13.38	-35.67	48.38	21.63	2.98	1.70 s	112.6	7.5	1.16	4.8
Melville Cp	MES	69.88	44.50	50.25	-19.00	-27.44	84.00	44.50	4.40	.48 n	11.3	10.6	1.76	3.5
Penney, JC	JCP	56.88	35.25	37.50	-17.75	-32.13	66.00	35.25	3.53	.53 s	17.2	10.4	1.48	3.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

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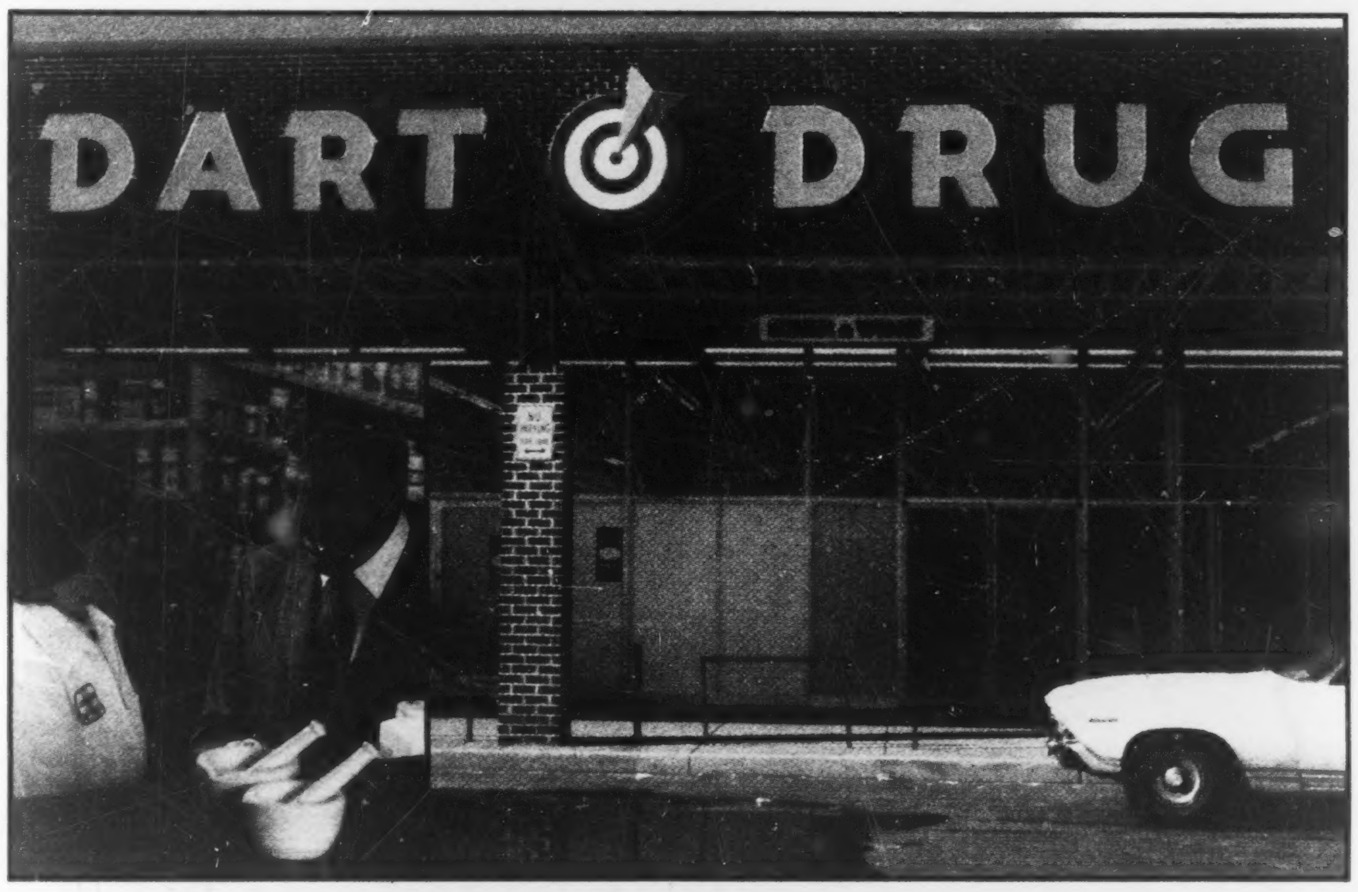
DRUG STORE NEWS®

Vol. 9/No. 23 **Serving chains, wholesalers and high-volume independents for 58 years** Published by Lebhar-Friedman Inc. November 23, 1987



Bud Fantle (inset), a pharmacist, is expected to emphasize prescriptions more than Dart ever has. The chain's script averages are well below the industry norm.

Fantle rescues Dart; new team in control

Hansbrough, Nehman replaced

By Al Heller

LANDOVER, Md. — Bud is in bloom again.

Specifically, Bud Fantle is in David Bloom's hair. Fantle, as the new Dart Drug Stores chairman, is working to cure Dart's fiscal ills and improve its competitive stance against Rite Aid, Giant, Safeway and Peoples Drug, where Bloom replaced Fantle at the helm a year ago.

Sheldon W. "Bud" Fantle, 64, heads up an investor group that closed an $8 million deal Nov. 6, giving Fantle control over 20 percent of Dart common shares and making him a major active player once again in the mid-Atlantic market he knows best. Including five leased sites that Fantle independently acquired this year and which will now be folded into Dart, the chain operates 85 drug stores in the greater D.C. area and five deep discount stores in Richmond, Va.

Calling the purchase a "great opportunity," Fantle told *Drug Store News* his first priority "is cleaning up stores and getting stocked for Christmas." That alone poses a challenge because

See **'Bud'**, *page 57*

Begley replaced as chain's chair

Farmer named to top spot

RICHMOND, Ky. — Robert J. Begley was replaced as chairman of the Begley Company this month by the board of directors, after the company posted a $434,745 second quarter net loss.

The board elected Tracy Farmer, a director since 1983, as chairman.

Farmer, 48, has wide business interests through his Lexington, Ky.-based Farmer Enterprises, which controls two banks, several shopping centers, and family-style restaurants named "T. W. Lee" and "T.W. Seafood."

"The board felt it needed to have an outside director as chairman to monitor the operations more closely," Robert Maddox, a director, and partner in the Louisville, Ky., law firm of Wyatt, Tarrant, and Combs, told *Drug Store News*. The change was endorsed by a board majority on Nov. 2.

The decision was sparked by board unhappiness with the performance of the 45-store drug division, and "unexpected write-offs that led to lower than expected profits for the last year," said Maddox. He said the company's 137-store dry cleaning segment is "very healthy and profitable."

Maddox said the board will support "cost cutting actions [that will be] taken shortly." They will likely include the sale of a 10-seat corporate airplane.

"They do need a plane to service the dry cleaning operations. The board just thinks it needs to be downsized," Mad-

See **Bob,** *page 57*

Tracy Farmer
New Begley chaiman

Stocks on rebound after Black Monday

Retailers gain 8 percent in 2 weeks

By David Vaczek

NEW YORK — Drug retail and wholesale stocks bounced back along with the stock market, after they hit bottom a week following the Oct. 19 crash.

The value of 13 retail drug company shares rallied 8 percent from Oct. 28 to Nov. 9, according to the *Drug Store News'* Drug Chain Stock Index.

The rise mirrored a 9 percent hike in the Dow Jones Industrial Average from its low Oct. 19 through Nov. 9.

The value of nine drug wholesale stocks grew 9 percent from an Oct. 28 low to Nov. 9, but they've recovered less total value than did retailers and the DJIA as a whole since falling from their summer peak.

Wholesaler stocks were 38

Continued on page 58

What a week for market crash rumors!

Wall Street's recent nosedive has given rise to a slew of rumors about the financial state of the chain drug industry and some of its biggest participants. Most are unfounded, but some continue to swirl as the economic uncertainty bred by the unstable finan-

See **Rumors,** *page 57*

LATE NEWS

- MINNEAPOLIS — The 21-unit Rainbow Foods chain of 60,000-sq.-ft. warehouse stores here is installing its first pharmacy in a remodeled Robinsdale store, and plans two more in other suburban units scheduled for summer openings, said Sid Applebaum, president and chief operations officer of the Gateway Foods division.
- OAK BROOK, Ill. — Osco Drug has promoted Bob Vonderhaar to the new position of group merchandising manager. Mark Panzer, formerly in store development for the 650-unit chain, has been named to Vonderhaar's former post as regional marketing manager.
- DURHAM, N.C. — Drug Emporium just entered this market for the first time, and this month opened additional stores in Dallas and Dayton, Ohio, to bring its total roster to 134 units, ceo Phil Wilber told *Drug Store News*. The chain will open two stores in Atlanta in January, raising its count in that market to 18.

F&M wraps up 10-store deal with SGC

Plans quick expansion into Philly, D.C., other markets

TROY, Mich. — F&M Distributors finalized its purchase of 10 off-price drug stores from Supermarkets General Corp. Oct. 27, and will move quickly to extend its reach into new markets in Baltimore, Philadelphia, Washington, D.C. and elsewhere.

"We'll move quickly to capitalize on our acquisitions," F&M President Frank Newman told *Drug Store News*.

The 10 former Pathmark Super Drug stores include several in the Baltimore/Washington area, as well as Richmond and Tidewater, Va., and Syracuse and Albany, N.Y. The sale, whose purchase price was not disclosed by either company, marks SGC's exit from deep-discount drug retailing after a four-year venture with Super Drug.

For fast-growing F&M, meanwhile, the acquisition marks "substantial new growth opportunities," according to Newman. The buy will allow the off-price chain to leap far beyond its current

See **F&M,** *page 57*

Frank Newman
Targets new markets

NEWS IN BRIEF

Shkolnik joins Perry Drug's Auto Works

PONTIAC, Mich. — Alan L. (Larry) Shkolnik has been named senior vp-marketing of Perry Drug Stores' Auto Works division. The announcement was made by Peter T. Murray, who himself was elevated only last month to president of the division, which operates 243 discount stores in eight states.

Shkolnik, 46, was most recently president and ceo of Lucky Stores' automotive division and had previously served as president of Nationwise of Columbus, Ohio. Earlier, he founded and was president of Benny's Car Parts, also in Columbus.

"Larry is a very talented executive with years of experience in this business," Murray commented. "His entire background reflects a history of running auto parts stores, with an emphasis on marketing, advertising and merchandising."

Spielfogel named new exec vp at Austin

NEW YORK — Gary Paul Spielfogel, the 32-year-old son of Interstate Cigar Chairman Sidney Spielfogel, has been tapped for the newly-created position of executive vp at Austin Drugs, which is owned by Interstate.

The younger Spielfogel, who said he reports to Lawrence C. Aaronson, Interstate's president and ceo, described his new responsibilities as "100 percent directed toward the profitability of Austin and the development of a better image for our stores." Currently, he said, he is familiarizing himself with the nine-store chain's operations and working with Austin President Gary Lefferts.

The new executive vp joined Interstate in 1977 and was involved in purchasing and special international assignments there before his appointment at Austin.

Culver accepts presidency of St. Ives

Culver

LOS ANGELES — Mac Allen Culver III, who formerly held high posts with Pay 'n Save and Gray Drug Fair, has been named president of St. Ives Laboratories, based here.

He succeeds Robert A. Neher, who requested reassignment of duties for health reasons.

Culver, 45, was most recently vice chairman and ceo of Pay 'n Save. Prior to that, he was president of Gray Drug Fair in Cleveland.

"Mr. Culver's management background, combined with his merchandising and distribution experience, will be a significant asset in contributing to the realization of the future growth objectives of the company," said Gary H. Worth, St. Ives chairman and ceo.

St. Ives, which manufactures and markets personal care products under its Swiss Formula brand, completed its initial public offering in July, at which time its net sales volume was approximately $78 million.

LaVerdiere's Dahlquist, Poulin promoted

WINSLOW, Maine — LaVerdiere's Super Drug Stores has announced two promotions to vice presidencies. Samuel Dahlquist has been named vp-pharmacy operations, and James Poulin has been appointed vp-purchasing. Both were previously assistant vps.

Dahlquist's new responsibilities include pharmacist recruitment and placement, store buyouts, store openings and supervision of the Action Mail Order Division. He has been with the company since 1973.

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Vol. 9, No. 23 November 23, 1987

Perry Drug consolidates, realigns staff to cut costs

PONTIAC, Mich. — Perry Drug Stores has completed a consolidation and realignment program that included the reduction or reassignment of about 60 administrative and office staff people and the shrinking of some departments to cut costs.

In line with those reductions, the chain has also delayed indefinitely its previous plan for a new corporate headquarters building in downtown Pontiac. The chain's current facilities, which are housed in scattered sites around the Pontiac area, are now "more than adequate to serve the company's requirements," according to Perry Chairman Jack Robinson.

The consolidation program included merging the operations of two older warehouses into a newer, highly automated distribution center in Dayton, Ohio, and the gradual integration of Perry's acquisitions of retail auto parts chains into a unified Auto Works division. Perry closed two warehouses—in Muncie, Ind. and Columbus, Ohio—and moved their inventory and personnel into Dayton. It also closed three satellite offices in the Pontiac area.

"We have been working on this program for some time. These actions streamlined our administrative staffs," said David Schwartz, Perry's new president and coo. "This consolidation will make us more efficient and productive."

Under the realignment program, Perry's core drug store business was divided into four groups headed by veteran Perry officers (see *Drug Store News*, Sept. 28). The realignment also saw the departure or reassignment of some department heads and the promotion of others, including Myron Winkelman to head of pharmacy operations, and Keith Cunningham, director of advertising. They and other department heads now report directly to Schwartz under the new corporate plan.

Moves made to cut costs, duplication

"We made some of the staff reductions and reassignments last July, and completed them this month," said Perry vp-corporate communications, Berl Falbaum. "It was partly the result of cost-cutting efforts, and also because of some duplication resulting from our acquisitions."

Scwartz noted that none of Perry's drug or auto parts stores had been affected by the staff reduction.

Philly Carrefour to open in Jan., but Long Island unit is delayed

PHILADELPHIA — Carrefour U.S.A. will open its first North American hypermarket outside this city in January, provided construction remains on schedule. Plans for a second Carrefour market in Long Island's densely populated Suffolk County, however, remain bogged down by local opposition.

The Paris-based company operates 100 giant hypermarkets in Europe and South America, but has run into obstacles in its first attempts to penetrate the U.S. market. The firm postponed until January 19 at the earliest its planned opening of the first U.S. Carrefour in the Philadelphia suburb of Bensalem, due to bad weather and construction delays.

Meanwhile, a second, 150,000-square-foot store planned for the Long Island community of Brookhaven has run into determined protests from local residents.

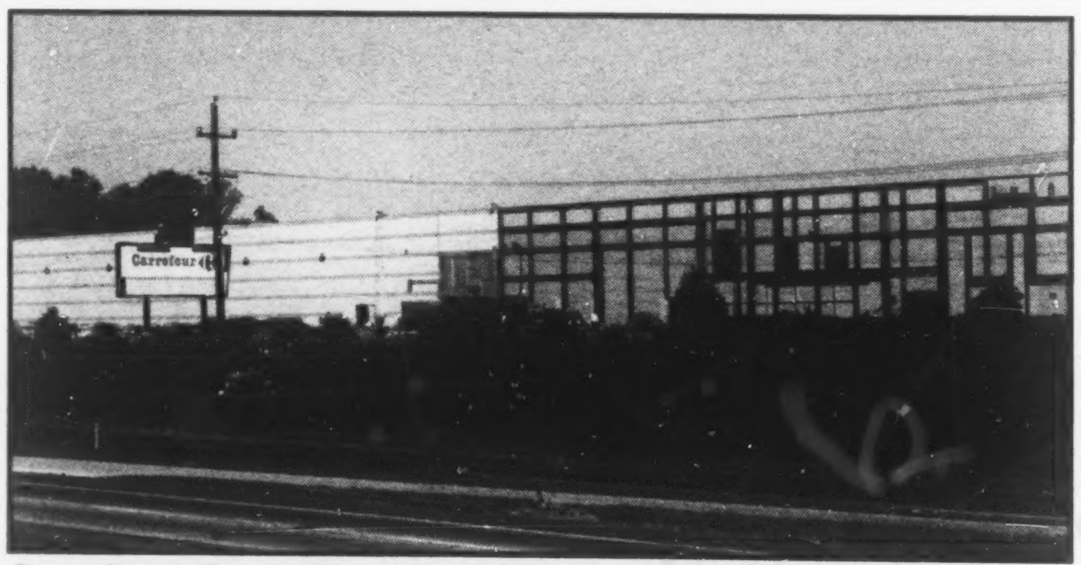
"The January opening in Bensalem depends on the completion of construction and assurances that the weather will hold out," said Carrefour spokesman Gary Lewi. "On Long Island, we're on track, but we've been delayed by the approval process.

"We're willing to put up the money needed to insure that the environmental and traffic concerns of Suffolk County residents are satisfied," Lewi said about the N.Y. delay.

Suffolk County is home to 1.5 million residents, many of them in high-income brackets. The proposed hypermarket there would be adjacent to a major traffic artery, Lewi said.

The hypermarket under construction outside Philadelphia is a 330,000-square-foot retail conglomerate which will open on the site of a former racetrack. It will feature equal amounts of food and general merchandise, including large selections of H&BA, in 200,000 square feet of selling space. The facility will also contain ancillary shops, including a bank, jeweler and dry cleaner, as well as a day care center for store personnel.

Upon completion, the hypermarket is expected to generate up to $80 million in annual revenues, with warehouse store pricing.



Carrefour's Bensalem, Pa., unit may open Jan. 19 if it has no more construction delays and the weather permits the work to continue.

Five new combos slated:

Cullum has record first quarter

DALLAS — Cullum Companies, which operates Tom Thumb-Page food and drug centers, posted strong sales and record earnings for its fiscal first quarter ended Oct. 17.

Revenues for the 16-week period increased 18 percent, to $348.7 million, from $294.4 million in the year-earlier period. Net income hit a record $5.4 million, or 33 cents a share—a 14 percent gain over the $4.8 million, or 29 cents a share, in the first quarter last year. (Last year's earnings per share have been adjusted to reflect a three-for-two stock split paid in September 1987.)

Earnings as a percentage of sales, a barometer in the supermarket industry, were 1.56 percent.

Calling the first-quarter earnings "the best in our history," Jack W. Evans, Cullum's chairman and ceo, said, "Our strong merchandising plan, combining price reductions, budget buys and special features, is delivering to our customers a lot of solid value. We will continue to merchandise aggressively to maintain this sales momentum."

Cullum opened one Tom Thumb unit here during the first quarter, replacing one that closed. In addition to a Tom Thumb-Page combo store scheduled to open soon in Arlington in a former Safeway, the company has four new combos under construction: in Dallas, Round Rock, Austin and Fort Worth.

Two new Hypermart*USA stores are also being built, in a joint venture with Wal-Mart Stores: One, in Garland, will open early next year, and another, in Arlington, is expected to open next summer.

In addition, two Simon David specialty stores are under construction, in Dallas and Austin. A new Page Drug unit will being opening soon here, a company spokesman added.

DRUG CHAIN AD TRACKING SERVICE

Most frequently advertised store brands

(print ads, top 15 drug chains, Aug. '87)

Store brand	% of total store brand ads tracked
Eckerd Drug	17.3%
Peoples Drug	16.5
Thrifty	14.8
Osco Drug	14.2
Giant Food & Drug	8.7
Walgreens	7.5
Pathmark	6.5
Revco	5.3
Hook's	3.5
Centsible Drug[1]	2.7
CVS	1.7
Drug Mart	1.3
Total	100%

[1] Centsible is a voluntary program operated by Dik Drug Wholesalers in Chicago

Source: Vereen & Associates

Comparison of Chain Drug Store Ad Prices* For Store Brands

Product Category/Item	Count	Chain	Ad Price
Batteries			
C or D	two-pack	Walgreens	$1.39
9-volt	One	Walgreens	$1.39
C or D	two-pack	Osco	$0.99
AA or AAA	two-pack	Osco	$0.99
Vitamins			
Vitamin E	100 capsules	Eckerd	$1.99
Vitamin C Chewables	100 capsules	Giant	$1.99
Vitamins Super B Complex	60 count	Pathmark	$2.59
Lens Care			
Saline Solution	4 ounce	Walgreens	$1.99
	12 ounce	Walgreens	$2.69
	12 ounce	Peoples	$1.39
	12 ounce	Revco	2/$3.00
Deodorants			
Roll-on	2.5 ounce	Eckerd	$2.39
	2.5 ounce	Thrifty	$1.29
Body Powder	13 ounce	Peoples	2/$3.00
Film			
HR Color Disc	15 exposures	Hook's	$0.99
Color-110	24 exposures	Thrifty	$1.79
Nail Polish Remover	6 ounce	Centsible	$0.69
	6 ounce	Eckerd	2/$0.99
	6 ounce	Drug Mart	2/$0.99
	6 ounce	Osco	2/$0.99

*Ad prices in August 1987 chain drug print ads
Source: Vereen & Associates

Trends in chain drug store store brand advertising

1. The most frequently advertised store brand category was vitamins.

2. Other categories frequently advertised included lens care, batteries, trash bags, deodorants, diapers, pain relievers, snacks, toothbrushes, tapes, panty hose and nail polish removers.

3. Prices ranged from as low as two for $1.00 6-ounce nail polish removers (Eckerd) to as high as $7.99 for 48 medium or 32 large diapers, extra absorbent (Osco), and 100 count 400 IU Vitamin E (Pathmark).

Walgreens had the lowest multi-item price in the audit: five pints of ice cream for $2.00.

Pathmark and Osco had the highest-priced store brand advertised items: 100 count Vitamin E 400 IU and Thin Extra Absorbent Diapers, 32 or 48 count respectively,

4. The majority of store brand ad items ranged in price from 99 cents to $2.69.

5. Of all chain drug advertising during the month of August, 4.6 percent was devoted to store brands.

DrSN launches monitoring of chain ads

NEW YORK — Starting with this issue, *Drug Store News* is proud to introduce a new reader service: an exclusive review of Drug Chain Store Advertising Activity by Select Product Categories.

On a regular basis, we will publish an Ad Activity chart that will help you determine at a glance the following information:

- The percentage of chain drug store advertising devoted to a specific product category;
- The most frequently advertised manufacturers within a given product category and their most frequently advertised brands;
- The percentage of total ad space given to a manufacturer within a product category;
- The most frequently advertised prices for the brands that are being promoted; and
- How drug chains compare to food chains and mass merchandise chains on the amount of ad space they give each product category.

The information in each ad category review is being provided by Vereen & Associates, a management and marketing consultant company based in Indianapolis.

Vereen's tracking service covers 100 percent of ad activity on over 40 drug store product categories. The service currently monitors the print ads of the Top 15 drug chains as well as print ads of most major discount chains and food chains.

By January, Vereen will be monitoring the ad activity of the industry's 30 highest volume drug chains.

This first *Drug Store News* article on Vereen's ad tracking service reviews ad activities in the store brand/private label category. Future issues will also report on ad activity trends in many of the product categories we regularly cover.

Buyers, merchandisers, store owners and advertising directors will find these subsequent special reports in this newspaper's "Trends" section.

We hope you'll be able to use these charts as a tool for measuring and evaluating your current advertising strategies relative to the national market. At a glance, you should be able to see if your own ad programs include the most frequently advertised brands within your core categories. You can also use the charts, and their accompanying information boxes, to monitor current pricing strategies, and as a way of identifying categories where ad opportunities are being neglected.

At the same time, you should also be able to identify categories where the pricing competition is currently very intense, and that will give you the option of deciding whether you want to back away from "banging heads" in these categories until the price competition has eased up somewhat.

If you would like to see the information interpreted in additional ways, please write or call us and express your opinion. Ask for Liz Parks.

See related private label merchandising stories in* Inside Pharmacy, *starting on page IP26.

Bob Vereen: a profile

INDIANAPOLIS — Bob Vereen, president of Vereen & Associates, launched his innovative H&BA/OTC Ad Activity Tracking Survey in May of this year.

The Ad Survey currently tracks100 percent of the ad activity of 40 H&BA/OTC Categories. Currently Vereen is tracking the print ads of the Top 15 highest volume drug chains and should have all Top 30 chains in his survey by January 1988. He is also tracking the print ads of the major food and mass merchandise chains, including K mart and Wal-Mart.

Vereen started his career in retail distribution in 1950 as a reporter for a hardware magazine. In 1953, he joined the National Retail Hardware Assoc., and was quickly promoted to managing editor of its Hardware Retailer *publication.*

In 1959, Vereen became managing director of Liberty Distributors, the oldest and largest merchandising group in the hardware/home center industry.

In three years, he tripled Liberty's business.

In 1963, Vereen returned to NRHA as editor. In 1984, he became senior vice president, and in 1985, he assumed the additional responsibilities of executive director of the Home Center Institute.

Earlier this year, he took an early retirement to launch the Vereen H&BA/OTC Ad Activity Survey, and is currently marketing that survey to major industry manufacturers.

During the course of his extensive career, he has visited more than 12,000 retail stores around the world. He knows most of the major wholesalers in the country and he has close relations and a good working knowledge of most of the major manufacturers and their respective industries.

Vereen's ad tracking survey will be a special feature in Drug Store News.

FINANCIAL

Imasco reports higher sales, earnings

MONTREAL—Imasco Ltd., parent of Peoples Drug Stores and Shoppers Drug Mart, reported increases in sales and earnings for the second quarter and six months ended Sept. 30.

Revenues in the second quarter edged up to $1.23 billion Canadian, from $1.15 billion Canadian in the comparable period a year ago. Net income rose to $77.03 million Canadian, or 61 cents per share, compared with $55.61 million Canadian, or 44 cents per share, in the same period last year.

Six-months revenues reached $2.4 billion Canadian, against $2.2 billion Canadian in the comparable year-earlier period. Net income also rose, to $147.2 million Canadian, or $1.17 per share, from $108.5 million Canadian, or 92 cents per share, in the same period last year.

Wellby parent's net, sales up

SCARBOROUGH, Me.—Hannaford Bros., which operates Wellby Super Drug Stores, announced increases in sales and net income for the 13- and 39-week periods ended Oct. 3.

Revenues for the 13 weeks hit $267.3 million, up from $234.9 million in the comparable period a year ago. Net income rose to $6.8 million, or 74 cents per share, compared with $5.9 million, or 64 cents per share, in the year-earlier period.

For the 39 weeks, revenues were $763.3 million, versus $655.2 million in the period last year. Net income jumped to $18.6 million, or $2.03 per share, in the period, from $14.4 million, or $1.57 per share, the previous year.

Melville boosts sales, net income

HARRISON, N.Y. — The Melville Corp., owner of CVS Stores and Freddy's Deep Discount, reported sales and net income boosts for the third quarter and nine months ended Sept. 26.

Sales rose to $1.4 billion for the third quarter, from $1.3 billion in the comparable period last year. Net income hit $51.7 million, or 95 cents per share, up from $47.3 million, or 67 cents per share, in the third quarter a year ago.

Nine-month sales were $3.9 billion, against $3.5 billion the previous year. Net income for the nine months was $123.5 million, or $2.27 a share, up from $104.6 million, or $1.93 a share, in the comparable period last year.

Quarterly figures up for Medicare-Glaser

ST. LOUIS—Medicare-Glaser announced increases in net sales and earnings for the second quarter and six months ended Sept. 30, as well as plans to repurchase up to 250,000 shares of its common stock.

For the quarter, net sales rose 18 percent, to $25.7 million, from $21.8 million in the comparable period in fiscal 1987. Net earnings increased to $196,000, or 6 cents per share, from $128,000, or 4 cents per share, in the year-ago period.

For the first six months, the company reported net sales of $51.5 million, an 18.6 percent increase over last year's $43.4 million. Net earnings also rose, to $223,000, or 7 cents per share, from $132,000, or 4 cents per share, in the comparable six months a year ago.

The corporation's board of directors authorized the purchase by Medicare-Glaser of up to 250,000 shares of its common stock, 50 cents par value, in open market transactions. The company currently has 3,040,524 shares of common stock issued and outstanding.

Commenting on the repurchase, president and ceo Harlan Steinbaum said, "It is our belief that the acquisition by the company of its common stock at prices which do not reflect the company's full worth is an excellent investment opportunity. This action will serve to enhance shareholder value and reaffirms the confidence of the Medicare-Glaser board of directors in the company's future."

Steinbaum added that the firm plans to open one full-line drug store in the third quarter and another in the fourth quarter of this fiscal year. Medicare-Glaser closed two full-line drug stores during the second quarter, by combining their operations with two larger full-line drug stores, he said.

Drug chains promote private label merchandise:

Snyder
Thrift Drug's Treasury
CVS
Walgreens
Longs Drugs
Revco
Thrifty Jr.
Perry
Peoples Drug
Dart Drug
Osco Drug
Carls Drugs
Pay 'n Save
Fay's

Private label H&BAs rebound from '80s slump

After declining in popularity in the early 1980s, private label health and beauty aids are again making gains in the nation's drug, food and discount stores. Economic jolts and a more educated consumer are why.

A recent study of private label and generic product marketing, conducted by SAMI/Burke for the Private Label Manufacturers Assoc., shows that house brands have risen steadily as a percentage of total H&BA sales since 1984.

The gain is substantial. At the end of last year, private label accounted for a healthy 3.5 percent of H&BA dollar sales in the U. S., up from 2.9 percent in 1984. Generic or no-name H&BAs, meanwhile, have shown steady declines in the same period, and now account for a meager half-point share of total sales.

The reasons for both trends are substantially the same, since the issue for many consumers is perceived quality as well as value. It is far easier, say retailers, to tie a store brand with a quality image than a no-name generic, even if both products contain exactly the same ingredients.

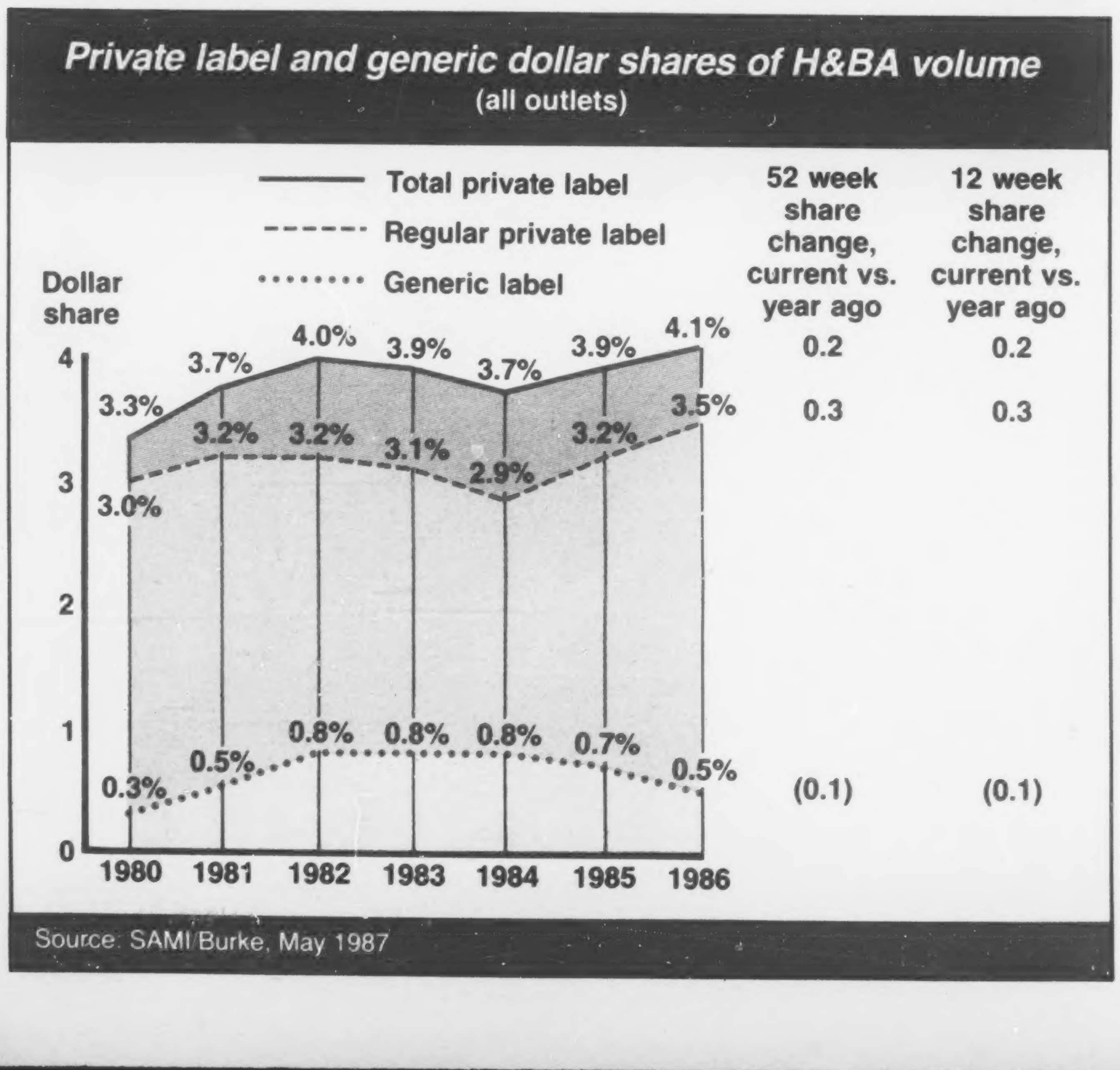
"Consumers have gotten more value conscious, and when you combine that with ongoing efforts to build a quality image into your house brands, your private label business is going to go up," noted one chain drug merchandiser.

For drug chains, a move into private label is probably easier than ever. Consumers are far more sophisticated about the quality of store brands than they used to be, and far more willing to try them, private label manufacturers argue. In addition, retailers have more manufacturing sources than ever to choose from with which to build a private label program.

The growth in membership in the PLMA attests to that fact.

First established in 1979 with just 20 member companies, the umbrella organization now boasts more than 800 member firms, including small, exclusively private label manufacturers and major companies which make both

Continued on page 28


Private label and generic dollar shares of H&BA volume (all outlets)

Source: SAMI/Burke, May 1987

Thrifty Corp. chosen by PLMA to receive its 'Salute to Excellence'

CHICAGO—Thrifty Corp., which redoubled its efforts in private label marketing since 1984, was chosen to receive a "Salute to Excellence" award by the Private Label Manufacturers Assoc.

At presstime, Thrifty was to be honored Nov. 16 at the PLMA Store Brands Supershow at the Hyatt Regency O'Hare. The chain was cited for its efforts to improve private label sales and Thrifty brand penetration.

The Los Angeles-based drug chain expanded its efforts in private label to boost overall store sales and profitability, according to Ken Crosby, senior vp and director of buying and merchandising. "We needed a champion, a focus for our efforts, and Thrifty brand products provided it," Crosby noted in a talk to Associated Chain Drug Stores members last year. "We kicked off two major ad programs—in pharmacy and private label—and set up a separate buying department for our private label products beginning in 1984."

Thrifty also overhauled its private label packaging and adopted more aggressive in-store promotional policies, with compare-and-save shelf talkers and a unique guarantee. "We advertised that if anyone was dissatisfied with any of our private label items, they would get the national brand for free," Crosby said.

The chain launched its program with an extensive market survey, to gauge the attitudes of Thrifty customers toward Thrifty-label products. It responded with a new, stricter set of standards for private label items, including a provision that they offer minimum savings of at least 20 percent, high quality and "superior gross profit margins." The chain now uses two independent testing labs to screen all house brand items, and offers them at price reductions ranging as low as 50 percent below the price of nationally advertised brands, Crosby said.

The result of Thrifty's efforts: private label sales doubled in two years. "We're very satisfied with the progress we've made," Crosby told ACDS members.

Private label H&BAs make a comeback

Continued from page 26

house brands and nationally recognized brands.

"The acceptance of store brands tends to increase as economic conditions worsen, so the outlook for private label marketing is very strong as we move into an unsteady economic climate," said Charles Trask, director of research for the PLMA. "Private label also offers a lot of intangible benefits for retailers, like image and consumer loyalty."

Most retailers, however, find the biggest advantage of house brands in the increased gross margins they offer, even with some of the cost savings passed on to consumers. "We're happy with the way our Life house brand performs, both for profit and image, and our customers are happy with the savings," said a spokesman for Shoppers Drug Mart. "We're always looking at new areas in which to extend our Life label."

A new, two-year study by the PLMA of consumer attitudes on store vs. national brands demonstrated a high degree of sophistication on the part of consumers toward the uses and value of private label. "They understand how store brands and generics are ranked and positioned against the national brands, and believe generics and signature generics are similar to, but of lower quality, than either store brands or national brands," the PLMA noted in a report. "Consumers clearly believe that most store brands and national brands are made by the same manufacturers."

Consumer acceptance of store brands varies by product category and by area, however, depending on how retailers define and promote their own brand, the report notes. In general, says the PLMA, "The key inducement to trying store brands is price, but repeat purchases are based more on the quality of the product."

Among other findings of the focus group study:

- Store brand shoppers use labels and ingredient listings as a basis for comparison.
- Store brand loyalty is developed with experience over time, and loyal store brand shoppers promote store brands to friends. In addition, consumers "would like more opportunities for store brand trial sizes and in-store sampling," the report notes.
- Consumer faith in a store brand is enhanced when retailers institutionalize quality in their private label advertising, including guarantees. In other words, emphasizing cost savings is only half the battle.

Windex
glass cleaner
1 39
1 29

Walgreen's pursues private label aggressively, both in health care and general merchandise. In photo (r), one of the chain's New England stores sets store brand vitamins on an endcap facing pharmacy, and (l) displays its own brand of glass cleaner against a national brand in similar-looking package.

Customer loyalty! Retailers report 90% repeat purchase rate
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
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P.O. Box 812-A, FDR, NY, NY 10150

Please Visit Our PLMA
Booth #841-843-845

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Top 20 regional chains profiled — Pages 13-39

DRUG STORE NEWS®

Vol. 9/No. 24 Serving chains, wholesalers and high-volume independents for 58 years Published by Lebhar-Friedman Inc. December 14, 1987

Bi-Mart's fresh face draws new business

By Pamela Krein

EUGENE, Ore. — Bi-Mart is putting on a fresh face.

Cosmetics centers are a focal point in the latest prototype unveiled by the 37-store membership discount chain, owned by Pay 'n Save.

They give Bi-Mart "an opportunity we have been missing out on," vp-administration Dave Zientara told *Drug Store News*. They will be in all new stores and remodels.

Formal performance measurements aren't in yet, but store employees indicated the departments attracted more business.

Before the new prototype, Bi-Mart's cosmetics were limited to a row of gondolas, which primarily featured just a minimum and basic selection. Now, however, the new cosmetics areas feature not only Revlon, Almay, Cover Girl, Clarion, L'Oreal, and Maybelline, but also implements, fragrances and a service counter.

Cosmetics are also now at the front of the store, in a three-sided area between

See **Bi-Mart,** *page 77*

COSMETICS
CUSTOMER SERV

New Bi-Mart cosmetics set lends fashion appeal, service to core area.

Strong chain stays Pay 'n Save's course

EUGENE, Ore. — While Pay 'n Save has gone through a rough year—recasting its merchandise mix, then changing back to core drug store products—the Bi-Mart subsidiary has remained strong and consistent.

At the end of Pay 'n Save's third quarter, Bi-Mart's sales of $62.3 million accounted for more than one-third of the parent company's $177 million sales total. However, at the close of the quarter, Bi-Mart operated only 34 stores to

See **Strong,** *page 77*

LeBlanc, 30-year veteran, is named K & B's president

By Susan Ball

NEW ORLEANS — James J. Le Blanc, a veteran of 30 years with K & B Inc., has been named president and chief operations officer of the 148-store chain, according to Sydney Besthoff III, who will keep the positions of chairman and ceo.

Le Blanc

Le Blanc brings to the position "his broad experience and calm, guiding hand," Besthoff said, adding that the appointment will mean "a lessening of my responsibilities and operations over the long term."

Le Blanc, 52, who had been vp and operations director since 1984, told *Drug Store News* he plans to continue moving the chain in the direction it has followed for the past three years: "Cost-cutting, concentrating on keeping our customer base, and hopefully, continuing slow growth ahead."

"Three years ago," Le Blanc said, "we saw what was happening in the Gulf South—the economy was weakening because of changes in the oil industry—and we began making changes. We became more conservative, maintaining our sales base and giving up some growth to maintain that base." Any chain who didn't anticipate the regional downturn "probably isn't around anymore," he added.

Besthoff noted that two states in which K & B operates, Texas and Louisiana, have been especially hard-hit by the depressed oil industry, and he sees "no real demonstration of a return to the past. I think they will be depressed for awhile." However, he said business is thriving in the three other states in which the chain has stores—Alabama, Florida and Mississippi.

The new president, a native of Paincourtville, La., said his taking on of new duties will be "very gradual."

"I have no brand-new plans, no great ideas to solve problems." Rather, he said, "We will continue what we're doing and try to do it better."

As to his assuming the title of president, which Besthoff had held, Le Blanc said, "Sydney is a strong man and will continue to be for many, many years. His influence on the company is great and will continue to be."

Le Blanc joined K & B as a pharmacist in 1957, upon graduation from the Loyola University of the South School of Pharmacy. He was subsequently a store manager, supervisor and assistant operations director before attaining his vp spot.

His successor as vp and operations director is Bruce W. Fiegenschue, who moved up from vp and assistant operations director.

In another move, Virginia Besthoff, secretary of K & B Inc., has been given the additional title of real estate director.

Fay's building 12 supers in '88

. . . while chain's 'bantams' will help fill current markets

By David Vaczek

NEW YORK — Fay's Drug will build 12 of its super drug stores in 1988, as it continues a moderated rollout schedule following its six-quarter-long earnings rebound.

The chain of 157 drug stores will use a "bantam" 9,000-square-foot prototype where appropriate to help fill in current markets. The first small store opened in August in upstate Lake Placid, chairman Henry Panasci told the New York Society of Security Analysts last month.

"If the occasion arises this year, we wouldn't hesitate to expand that concept," Panasci said of the bantam, which contains all the departments of Fay's typical 12,000-square-foot to 16,000-square-foot stores, with reduced assortments, a source confirmed.

Panasci said the company remains committed to its non-drug divisions, which are record-

See **Fay's,** *page 77*

LATE NEWS

- DEERFIELD, Ill. — For the first time in almost a decade, Walgreen Co. is considering going to an outside agency to develop new broadcast advertising, a Walgreens spokesperson confirmed.
- ROANOKE, Va. — Phar-Mor opened its first new store here in early December, and simultaneously entered Raleigh, N.C. and Melbourne, Fla. markets with initial stores there.
- CINCINNATI — Hook-SupeRx completed the deal to buy four Eckerd stores in West Virginia and 15 in Virginia. The stores will be converted to SupeRx formats.
- SAN FRANCISCO — Amfac Inc.'s board of directors is weighing the possible spinoff or sale of some assets as part of a general restructuring, and was expected at presstime to possibly decide at its Dec. 13 meeting, according to a corporate spokesman. Amfac owns Amfac Drug Supply Co.

Brooks' store count down 41 for the year

Consolidation drive aims for profits

PAWTUCKET, R.I. — Brooks Drug has closed, or sold off, 47 unprofitable or marginal stores this year and opened only six, as part of a massive effort to rebuild its competitive edge and restore profitability.

The net decline of 41 stores will leave the chain with just over 360 stores as its fiscal year closes on Dec. 31. Two hundred and eighty-five of those stores have pharmacies.

Brooks executives said the clean sweep of underperforming units, many of them smaller health & beauty aids outlets in markets that can't be defended, will continue next year.

They expect the chain to "bottom out" at about 350 stores before it begins a slow growth again in 1989, with a 5 percent gain targeted for that year and up to 10 percent in

See **Brooks,** *page 77*

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- **Home health care meeting**
- **Kroger tests cholesterol screening**
- **C.E. lesson on thyroid diseases and drug therapy**

NEWS IN BRIEF

Austin promotes Lerner, Owen

EAST MEADOW, N.Y. — Austin Drugs has promoted two, as part of a general reorganization at the nine-store chain, according to Gary Spielfogel, whose appointment to the new position of executive vp was recently announced.

Eugene Lerner will be director of operations, and Howard Owen will be vp-marketing and finance. Lerner, who has been with Austin for about eight years, was a supervising store manager. Owen previously was vp-operations.

Arbor arrives in Grosse Pointe

GROSSE POINTE, Mich. — Maintaining an accelerated growth pace, Arbor Drugs opened its 76th drug store in this well-heeled bedroom community outside Detroit Nov. 16. The opening marks the halfway point in Arbor's expansion program for fiscal 1988, which calls for another five new stores in metropolitan Detroit by next August.

The newest Arbor was designed to complement Grosse Pointe's upscale, Early American architectural style, with a brick facade and wood bay display windows. It also features a new interior design and color package which will serve as a prototype for future stores. The package includes earth-tone colors and a new signage system.

Arbor will open at least 10 new units a year for the foreseeable future, many of them in parts of Michigan north and west of its current marketing area in greater Detroit.

In other developments:

- The chain announced two recent promotions, naming Eric Bolokofsky and Dennis Wozniak vice presidents. Bolokofsky, 35, was named vp-merchandising after serving as director of that department. He is an 11-year Arbor veteran. Wozniak, 32, was promoted to vp-purchasing, and will head all buying activities. He began his career at Arbor in 1978 as an assistant buyer, serving as senior buyer of electronic appliances, sundries and general promotional merchandise for the last four years.

Pay 'n Save grows in Alaska

SEATTLE — Pay 'n Save recently added its 11th Alaska store, with the purchase Nov. 25 of Nugget Super Rexall in Juneau for an undisclosed amount.

This raises the chainwide total to 107. Pay 'n Save plans to remodel the store in January. The chain said further it will retain the store manager for the 22,000-square-foot site, in addition to employing another 24 people.

Dot warehousing with parent

BENTONVILLE, Ark. — Twelve-store Dot Discount Drug Stores is now using parent company Wal-Mart's pharmacy warehouse, instead of outside wholesalers. However, it will use FoxMeyer as a secondary source, according to Terry Files, buyer and new store coordinator for Dot.

Files said Dot store managers will continue to do the majority of the buying for the remaining products—a concept Files said allows the stores to react quicker and make better deals.

Wal-Mart also recently announced former executive vice president of special divisions, Paul Carter, has been promoted to executive vp-finance. In his prior position Carter oversaw the Dot division, a duty that is now being passed on to Westley Wright, former vp-personnel.

Dot anticipates adding another three to nine stores in 1988—"depending on what we find," Files said.

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Vol. 9, No. 24 December 14, 1987

Kid's toothpaste segment really just cutting its teeth

By Susan Ball

Merchandising Spotlight

Children's toothpaste, as a segment, is just cutting its teeth.

The biggest kids on the block, in terms of advertising clout and brand-name recognition, are still relative toddlers: Beecham's Aqua-Fresh for Kids is about two and one-half years old, and Oral-B Laboratories' Muppets and Procter & Gamble's Crest for Kids came on the market just months ago.

At the ripe old age of 11, Schmid's Looney Tunes, introduced in April 1976, claims to be the first toothpaste targeted for children. (*See related story, page 41.*) Then there's the Zoo Collection from Cosway of Gardena, Calif., which debuted in mid-1986, and Kids' Choice, a months-old contender from Canyon Dental Care Products, Lakeland, Fla.

Kids' toothpaste manufacturers say their aim is to get children excited about the "unpleasant chore" of brushing their teeth. But there is also the factor that total toothpaste sales have remained basically flat at about $1 billion for several years, and vendors are casting about for ways to boost sales. (Sales in 1986 were $1.079 billion, with food outlets accounting for $647 million sales; drug stores, $245 million; and mass merchandisers, $187 million, according to Nielsen Marketing Services.)

Manufacturers are using bright packaging, flavors with child appeal and licensed characters to differentiate their products, since they all claim, with mom-and-apple-pie rectitude, that their offerings are sugar-free and contain fluoride.

Manufacturers all claim, with mom-and-apple-pie rectitude, that their offerings are sugar-free.

The majority target the six- to 12-year-old crowd, but Oral-B in September launched the Sesame Street line, in fruity and bubble-mint flavors, to captivate preschoolers.

In terms of efficacy, the children's toothpastes that have been approved by the American Dental Association are "just as effective as adult toothpastes," said Clifford Whall, assistant secretary of the ADA's Council on Dental Therapy. "They contain the same active ingredient. Only the flavors and packaging have been changed to appeal to children." He added that all the major children's brands approved by the ADA are

Continued on page 41

Marc's-Shulman's Glassman plans home market expansion

MIDDLEBURG, Ohio — Marc Glassman, whose Marbal Drug chain owns the highest grossing individual deep discount drug stores in the nation, is preparing to open new company stores in his hometown market of Cleveland.

According to reliable sources, Glassman is prepared to double the number of his company-owned stores before the end of next year.

Since May, Glassman has already opened two more Marc's deep discount drug stores for a total of seven Marc's in West Cleveland. He has also opened one more Bernie Shulman's deep discount store in East Cleveland for a total of three.

According to informed sources, three more Marc's will open before the end of this year, plus another three Marc's and one more Bernie Shulman's by spring 1988.

Marbal Drug also has a franchise division, which currently operates several deep discount drug stores under the name Texas Drug Warehouse in the Dallas market.

Because Glassman has a policy of not elaborating on upcoming events, he would not confirm exactly how many new Marc's and Bernie Shulman's will open in 1988, but he did acknowledge that more new stores are in the works.

However, according to knowledgeable sources in Cleveland, Glassman has enough new store openings planned to more than double the unit size of his $125 million retail drug company within the coming year.

For the fiscal year ending in 1986, Marbal Drug added two new stores for a 40 percent increase in units. Sales for the same period increased by approximately 20 percent, while sales for fiscal 1987 ended last June 30th increased approximately 18 percent to an estimated $125 million.

Drug store retailers in Cleveland are interpreting Marc's expansion of company stores there as an attempt to dramatically increase total company sales and dollar profits, while simultaneously insuring Marbal a dominant share of total drug store market sales.

For fiscal 1988, Marbal's total sales for its company stores could reach about $170 million.

According to the best estimates of retailers in the Cleveland market, Marbal Drug currently has the number two share of all drug store sales, slightly behind Revco, which is said to be number one in Cleveland both in dollar sales and number of stores within the major metro Cleveland market.

However, the older Marbal drug stores average over $18 million a year in sales, while a typical Revco averages about $1.4 million a year. Marbal's two highest volume stores do approximately $32 and $22 million a year, respectively.

For fiscal 1988, when Marbal could have approximately 17 company-owned stores in operation, conservative estimates are that Marbal's total sales for its company stores could reach about $170 million.

This assumes that the seven oldest Marbal stores would generate a very conservative 10 percent same-store sales growth, while if 10 new stores do open, they would each conservatively average about $3 million a year in first year sales.

Of course, the probability that Marbal stores will continue to generate $18 million a year in average sales per store decreases as more stores do open in the market. The new stores are bound to cannibalize at least some sales from existing stores, but to what extent it is impossible to tell.

Competitors here, however, are reasoning that Glassman is apparently willing to sacrifice dramatic sales gains for existing stores in favor of a higher market share and total company sales gains from new stores.

Marbal has so far only opened stores in the northeast corner of the state of Ohio, and as retailers in this market like to point out, "there is still plenty of room for large new stores in the many small towns that exist in Ohio."

Discount Drug Mart, for instance, a regional competitor of Marbal's, has successfully followed this growth philosophy for many years now.

Marc Glassman has always said that he would open more Marc's and Bernie stores in the Cleveland area as long as he could find "the right locations."

"We want to cover the market as we're doing in Cleveland," he once told *Drug Store News*, "but the most important thing to us is to have every store be a success. Our goal is to be successful and to open successful stores."

Health & Beauty Aids, Drug Stores vs. Food Stores

(Year ended 9/11/87, in $ millions)

Drug Store Rank	Category	Drug Store volume	Food Store volume	Food Store Rank
1	Internal Analgesics	$715.0	$ 976.0	2
2	Cold Remedies	560.1	516.8	6
3	Eye Care Products	417.3	198.9	16
4	Antacids	370.0	343.4	7
5	Synthetic Vitamins	335.5	190.5	17
6	Shampoo	324.3	661.4	4
7	Cough Remedies	308.8	243.3	13
8	Laxatives and Stool Softeners	281.7	132.0	22
9	Hair Coloring	249.3	93.7	28
10	Toothpaste/Powder	230.9	671.9	3
11	Disposable Diapers	209.5	2,123.9	1
12	First Aid Products	194.1	221.5	15
13	Hand & Body Lotions and creams	193.5	179.4	20
14	Hair Spray	186.9	267.8	12
15	Sanitary Napkins	181.4	589.9	5
16	Natural Vitamins Minerals, Supplements	176.7	63.1	36
17	Mouthwash	164.0	304.2	9
18	Cosmetic & Medicated Skin Aids	159.0	112.3	24
19	Stick Deodorants/Pads	155.3	304.3	8
20	Razor Blades	153.3	291.4	11
21	First Aid Antiseptics	149.7	82.8	32
22	Hair Conditioning Rinses	149.0	241.6	14
23	Facial Preparations	146.4	98.2	26
24	Tampons	133.3	292.5	10
25	Suntan Lotion/Oils	110.2	57.9	38
26	Nasal Sprays/Drops and Inhalers	100.7	84.9	31
27	Hair Dressing Needs	99.5	88.6	30
28	External Analgesics	97.1	60.3	37
29	Roll-On Deodorants and Antiperspirants	95.8	180.6	19
30	Toothbrushes	86.8	121.5	23
31	Hair Setting Needs	86.8	97.3	27
32	Spray Deodorants and Antiperspirants	86.5	184.9	18
33	Appetite Suppressants	83.5	51.4	40
34	Aftershave Lotions	79.8	50.2	41
35	Shaving Creams	70.3	98.7	25
36	Adult Incontinence Products	64.6	16.4	49
37	Denture Adhesives	64.3	53.4	39
38	Baby Oils/Creams and Lotions	63.7	89.7	29
39	Feminine Douches and Washes	59.7	63.6	35
40	Foot Deodorants Athletes Foot products	58.3	31.1	44
41	Home Permanent Kits	51.9	21.8	47
42	Denture Cleaners	50.1	66.8	33
43	Moist Towelettes	49.2	167.2	21
44	Lip care Products	46.4	40.8	42
45	Nursing Supplies	36.0	64.8	34
46	Dental Aids	33.2	27.5	46
47	Sleeping Aids	31.7	29.1	45
48	Baby Powders	24.2	38.2	43
49	Deodorant & Talcum Powders	16.9	19.0	48
50	Chest Rubs	15.5	15.9	51
51	Breath Fresheners	13.7	9.2	54
52	Feminine Hygiene Deodorants	10.4	7.5	55
53	Cream Deodorants	10.0	12.9	52
54	Razors & Blades	9.5	10.6	53
55	Pre-shave Lotions	8.8	7.4	56
56	Infant Clothes	5.1	16.3	50
57	Tranquilizers	1.4	0.6	57

Source: SAMI/Burke

DrSN launches SAMI/Burke tracking of H&BA products

With this issue, *Drug Store News* launches the first in a series of periodic reports on the comparative sales volume of 57 health and beauty aid products sold in drug stores and food stores. The nationally projected figures, supplied by SAMI/Burke, are based on warehouse withdrawal information from 54 major markets tracked by the marketing research company.

The figures show very strong penetration by drug stores in the categories in which drug stores tend to have greater breadth, including over-the-counter medications like cold remedies, antacids, synthetic vitamins, cough remedies and laxatives. Food stores, on the other hands, hold commanding shares in categories that depend on heavy traffic and frequent exposure, such as disposable diapers, toothpaste and shampoos.

In a category like internal analgesics, drug and food retailers both do well, with the category heading the list of H&BA's in drug stores and number two (next to diapers) in food stores. But food stores do better in total sales in the category because of their strength in shopper count.

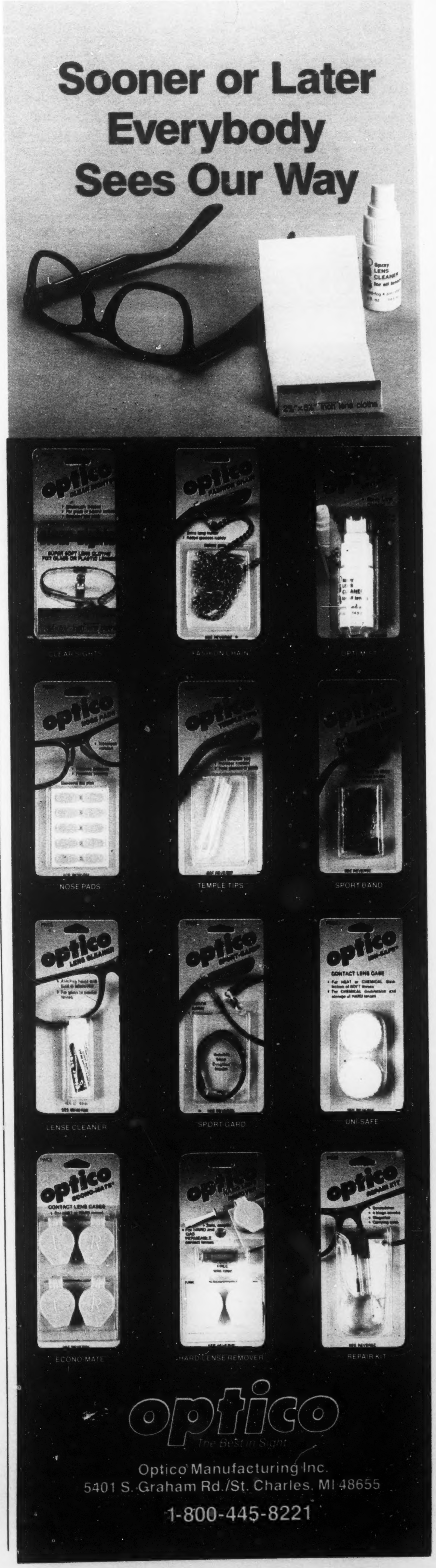
Kroger lists 16-, 40-week results

CINCINNATI — The Kroger Co. posted results for the 16- and 40-week periods ended Oct. 10.

Sales for the 16 weeks increased to $5.2 billion, from $4.9 billion in the comparable period last year. Income from continuing operations was $45.3 million, compared with a loss of $39.4 million in the year-ago period, which included a charge of $82.3 million related to the restructuring of certain operations.

The loss from discontinued operations in the 1986 period was $11.8 million, according to the food chain.

For the 40-week period, the company reported sales of $13.3 billion, against $12.8 billion in the comparable period last year. Net income reached $135.9 million for the period, against $32.6 million a year ago.



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Retailers choose '88s hot products — Page 9

NARD sues FTC over dispensing 'coverup' — Page 33

DRUG STORE NEWS®

Vol. 10/No. 1 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. January 4, 1988

Hook-SupeRx to hook Brooks for $81.5 million

Hook-SupeRx Inc. and Brooks Drug at a glance

Stores	Hook	SupeRx	Brooks
	341 drug stores 28 home health care centers	313 drug stores 12 Drug World deep discounters	361 drug stores 285 with pharmacies
Markets	Indiana, Ohio, Illinois	Ohio, Illinois, Kentucky, Tennessee, New York, New Jersey	Mainly New England, New York, New Jersey, Pennsylvania
Sales	**Hook SupeRx Inc.** More than $1 billion, with $831 million reported for 9 months ended Aug. 31		**Brooks** $390 million est. for year ended Dec. 31
Ownership	A private company created through 1986 $415 million leveraged buyout		Currently a division of Compact Video, of which 41% is held by MacAndrews & Forbes and Ronald O. Perelman

Source: Company reports

By Bruce Buckley

CINCINNATI — In a move that surprised the industry, Hook-SupeRx Inc. signed a preliminary agreement to acquire the 360-store Brooks drug store chain from Compact Video Inc. for $81.5 million.

The deal, which is subject to the negotiation of a definitive agreement as well as completion of financing arrangements, would create a company with close to $1.5 billion in sales and more than 1,050 stores in 24 states. The additional stores would make the drug chain's roster the fifth largest in the country.

The purchase would also extend Hook-SupeRx's reach into New England proper, where Walgreens and Osco, two other Midwest-based powerhouses, continue to make inroads. Among Hook-SupeRx's holdings are a number of stores in New York and New Jersey, where Brooks has a total of 82 locations.

A source close to the negotiations said Gayl Doster, Hook-SupeRx chief financial officer and a key organizer of HSI's December 1986 leveraged buyout from Kroger, would be named ceo of the Brooks division.

The source also said Theo

See **Hook-SupeRx,** *page 37*

Bellini takes Revco post as chain churns changes

TWINSBURG, Ohio — Revco's induction of former Gray Drug Fair president Carl Bellini as head of store and pharmacy operations marks another major installment in last year's sweeping realignment of the company's top management under new chairman Boake Sells.

New assignments at Revco

- **Jim Adamson,** 39, most recently executive vp at Target, is named executive vp-marketing.
- **Sam Williams,** 46, also from Target, is named as director of imports.
- **Dwayne Hoven,** 46, former president and owner of Davis-Dyar Supply Co., a Dotham, Ala. wholesaler, is named to the newly-created post of senior vp-distribution.
- **Vito Cardace,** promoted to executive vp and cfo.
- **Jack Staph,** promoted to senior vp, secretary and general counsel.

[As *Drug Store News* went to press, Revco announced further top management shifts. See accompanying box for details.]

Bellini

Bellini, 54, has been named to the new post of executive vp of stores, a position that weaves together all aspects of store and pharmacy operations.

He succeeds A. Richard Butler, former senior vp-store operations, but the new post encompasses a larger sphere of duties, with pharmacy operations an additional responsibility.

Under the new, more streamlined management structure put in place by Sells, Bellini will report directly to the chairman. The arrangement supports Sells' desire to cut through layers of middle management for closer person-

See **Revco,** *page 37*

Physician's Formula

Vons is known for its relative local strength in Rx and H&BA operations. Above is a cosmetics counter at the El Monte, Calif., Pavilions store.

Vons conquering So. Calif.

Safeway purchase puts chain at top of heap

By James Frederick

OAKLAND, Calif. — The planned sale of Safeway Stores' 172-unit Southern California division to Vons Grocery Co. will make Vons the undisputed leader in supermarket and combo store retailing in the nation's biggest food and drug store market.

Safeway and Vons jointly announced their plans to merge their Southern California operations in ear-

See **Vons,** *page 37*

LATE NEWS

- PONTIAC, Mich. — Perry Drug Stores omitted its common stock dividend for the first time in 47 consecutive quarters, and reported a $4.6 million loss for its fourth quarter ended Oct. 31. The loss included a $400,000 charge against operations, a one-time $3.5 million charge to cover uncollectible pharmacy goods bills, and $700,000 for construction planning costs. In the comparable 1986 quarter, the chain earned $315,000. Quarterly sales increased 9.2 percent, to $189 million, from $173 million last year.
- WEST SPRINGFIELD, Mass. — Arthur Villeneuve, former vp at Maxidrug, the Jean Coutu Group's deep discounter, has left the company, according to a chain source.
- PROVIDENCE, R.I. — George Neville, ex-Adams (Brooks Drug) executive and one of the initial team that launched Maxidrug, recently opened Beauty Works, a designer fragrance and cosmetics specialty store, in the downtown part of this city.

Rite Aid axes Va. 3rd-party group

Equicor/UMP in the cold after 40% reimbursement cut

By Barbara White

SHIREMANSTOWN, Pa. — Rite Aid has told Equicor/United Medical Plan of Virginia it will no longer fill prescriptions from its members, after the third party provider cut its reimbursement for filled prescriptions by 40 percent.

The chain advised Equicor/UMP that effective Dec. 29 it won't honor prescriptions for patients on the plan. The move affects 150 Rite Aid Virginia stores that had served Equicor/UMP patients.

Equicor/UMP changed its reimbursement percentage in September, based on a proposal United Medical Plan presented to Equicor. UMP is a health maintenance organization in the state. Equicor—a joint venture between a division of Equitable Group Insurance and a division of Hospital Corporation of America—is its third party administrator.

David Dalton, Rite Aid's vp-professional relations, said the chain can't afford to stay on the plan with the payment cut that sharply.

"People would be falling under the new plan at a proposed reimbursement rate below what it would cost to fill the prescription," said Dalton. "Under the new plan, it's economically unfeasible for Rite Aid to continue to fill UMP's prescriptions."

Grace Renshaw, an Equicor spokesman, said that two other Virginia chains, Peoples and the Farm Fresh supermarket chain, have accepted the new reimbursement terms. She said they expect those chains to pick up Rite Aid's

See **Rite Aid,** *page 37*

NEWS IN BRIEF

Bergen sells medical supply unit

ORANGE, Calif. — Bergen Brunswig Corp. announced it has signed a definitive agreement to sell Bergen Brunswig Medical Supply, a wholly-owned subsidiary, for approximately $40 million.

The board of directors fixed Nov. 20 as the record date for determining holders of its 7⅝ percent convertible subordinated debentures, due 2010. These holders will be requested to consent to the proposed sale of the subsidiary.

The corporation is one of the nation's largest distributors of products sold to pharmacies, a major distributor of medical and surgical supplies, and the largest national distributor of prerecorded videocassettes.

O&M picks up Stotter's assets

RICHMOND, Va. — Owens & Minor said it has signed a letter of intent to buy certain assets of Leon Stotter, Inc., a Bridgeton, N.J. medical surgical distributor servicing the New Jersey, Delaware, and Eastern Pennsylvania markets, including Philadelphia. Stotter sales were projected at $50 million for 1987.

The buy will move O&M—a wholesaler and packager of pharmaceuticals, as well as a medical and surgical supply distributor—into new markets, and furthers a recent company trend of growth through acquisitions of medical and surgical firms.

G. Gil Minor III, president and ceo, said the buy will naturally extend O&M's current trading area, since Stotter's markets abut O&M's northern most zones in Washington and Baltimore.

Amfac bidding aloha to mainland

FOLSOM, Calif. — Amfac Inc. announced it will sell Amfac Health Care and its other mainland businesses and concentrate on its core Hawaii operations as part of a comprehensive restructuring plan.

A company spokesman said no firm offers have been made yet for Amfac Health Care, the nation's sixth largest publicly held distributor of ethical pharmaceuticals. The restructuring process and sale of non-Hawaiian businesses "is expected to take some time," said Melburn G. Whitmire, president of Amfac Health Care. At present, "it will be business as usual."

Amfac's investment bankers estimated that the sale of Amfac's distribution, food and mainland resort operations together could bring approximately $600 million to $750 million. Amfac Health Care's 1986 revenues were $567 million. Sales in the first nine months of 1987 were $532 million, compared with $402 million in the 1986 period.

Nichols named Revco regional veep

TWINSBURG, Ohio — Revco has named Clarence D. Nichols as regional vp for its Carolina region based in Charlotte. Nichols will be responsible for all store operations in a 440-unit region that includes North and South Carolina and parts of Virginia. A 13-year Revco employee, Nichols was most recently a regional merchandise manager for stores in Texas, Oklahoma, New Mexico, and Arizona. He succeeds Darrell Patton, who resigned to pursue other interests.

Also, former district manager Robert Thompson was promoted as regional merchandise manager for the Carolina region reporting to Nichols. Thompson will be responsible for ordering and distribution of merchandise, and planning and implementing merchandise and promotional programs.

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Vol. 10, No. 1 January 4, 1988

Fay's 1st med center unit unveiled in Syracuse, N. Y.

Convenience should capture Rx business

SYRACUSE, N.Y. — Fay's Drug has opened its first pharmacy in a medical center building as part of a plan to expand its pharmacy services.

The Liverpool, N. Y.-based chain opened a Fay's Pharmacy on Dec. 10 in the new Madison-Irving Medical center here, which includes doctors' offices, and an outpatient surgery center for a local hospital.

"We feel that we can capture that prescription business as a matter of convenience,-and. . . perhaps transfer it to another of our stores in the Syracuse area," said John Kogut, Fay's senior vp-operations.

"We are trying to take advantage of new opportunities within pharmacy," Kogut added. He said Fay's plans to open a second such unit in the first half of 1988 in Watertown, N. Y.

Fay's is also using the med center unit to launch it's first service offering prepared intravenous medication. Specially-trained pharmacists will use the Laminar Flow Hood in preparing IV medications used in chemotherapy. The device circulates and purifies air to create a sterilized environment for preparing the medications.

Kogut said the chain plans to roll out the device and medication program into three of Fay's conventionally-sized and sited stores that serve nursing homes in Albany, Rochester, and Buffalo.

The Syracuse unit, under 2,000 square feet, offers full pharmacy services, plus OTC items and small selections of drug categories such as greeting cards, candy, and "a very limited H&BA," Kogut said.

Hours will coincide with the hours of the doctors' offices. Offices include practices in ophthalmology, dermatology, plastic surgery, psychology, obstetrics, gynecology, family practice, optometry, psychiatry, and oral surgery.

As part of it's move into new pharmacy avenues, Fay's also has added a new dimention to its nursing home services by locating a pharmacy within a nursing home. The unit was recently installed in the St. Camillus Health Center, in Camillus, which is just west of Syracuse.

The 157-store chain services 8,000 nursing home beds from 30 Fay's Drug units, and plans to emphasize growth in this sector, Fay's chairman Henry Pansaci, Jr. told security analysts last month.

Medicaid plan under attack; NACDS predicts defections

Attorneys: payback scheme is unlawful

WASHINGTON — Lawyers for the chain drug industry intensified their attack on the government's new Medicaid drug reimbursement rules, predicting mass defections from the program by pharmacies unless the courts overturn the present system.

In a brief filed with the federal District Court here, attorneys for the National Association of Chain Drug Stores asked for a "summary judgment" ruling declaring the new Medicaid reimbursement scheme unlawful on grounds that it fails to ensure a reasonable profit for participating drug stores.

Those new Medicaid rules, which were issued by the Health Care Financing Administration late last year, abandoned the existing "MAC/EAC" system for reimbursing pharmacies in favor of a new approach under which state Medicaid administrators were granted broad authority to design their own systems to pay for Rx drugs. Under the new regulations, states may adopt any reimbursment approach they choose as long as their "aggregate" payments for Medicaid Rx drugs do not exceed a dollar ceiling set by the HCFA.

Raising the ante

NACDS filed suit late last fall challenging those rules, arguing that HCFA's new rules are invalid because the agency failed to require state Medicaid officials to ensure that participating drug stores have the opportunity to earn a reasonable profit on third-party Rxs.

In its latest court filing for summary judgment, the chain drug group raised the ante by suggesting that retail pharmacies may abandon Medicaid unless the new reimbursement rules are withdrawn.

The key to NACDS' case is the association's argument that, at least indirectly, the Medicaid law requires HCFA to ensure that Rx reimbursement levels are set high enough to enable drug stores to realize a reasonable profit.

Although the Medicaid Act does not state that explicitly, it does require states to spend sufficient funds to avoid any "lowering [of] the amount, duration, scope, or quality of care" to Medicaid recipients.

"Consequently," NACDS told the court, "HCFA is obliged to ensure participation of a sufficient number of private providers so that Medicaid beneficiaries can receive medical services to the extent these services are available to the general population."

"Unless an adequate number of neighborhood pharmacies are willing to participate in the Medicaid program, the access of Medicaid patients to prescription drug services will be hindered," the association added.

But in order to achieve this objective it is "indispensible" that pharmacy "reimbursement rates allow for the recovery of costs and a reasonable profit," NACDS argued.

HCFA's new rule "provides no guarantee that states will adequately compensate private pharmacies," the association said. "Indeed, it does not even require states to consider whether reimbursement is adequate and poses no obstacle to setting reimbursement levels below costs."

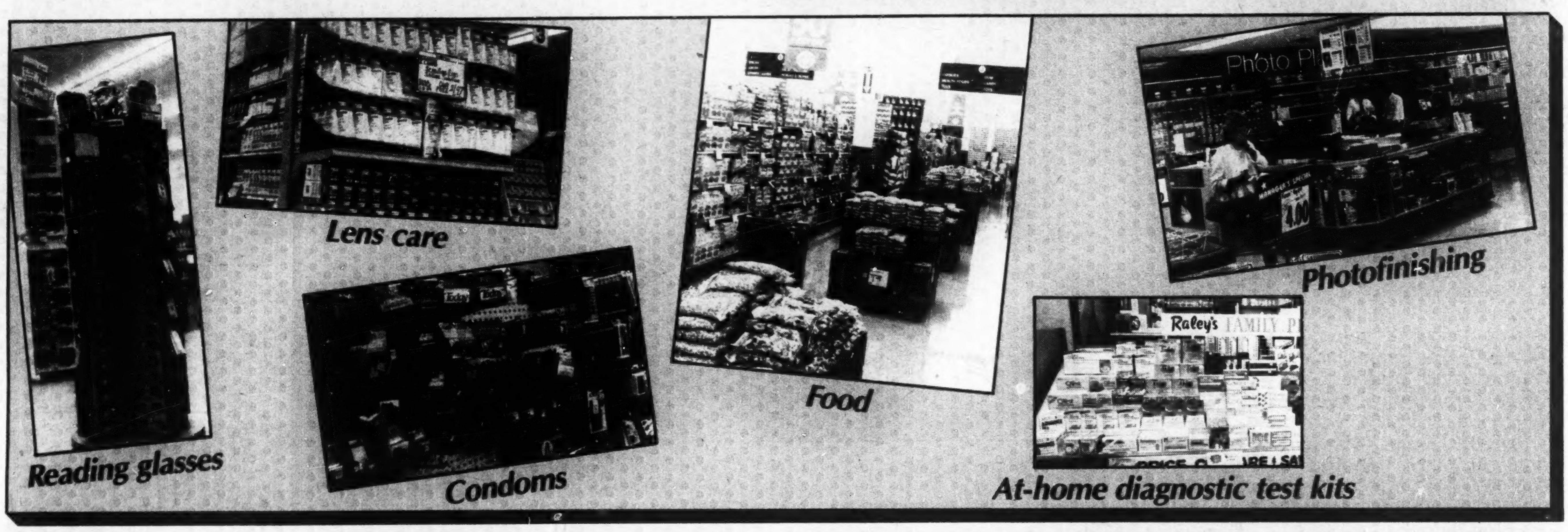
As a result, "some drug stores will be forced to leave the program because of their inability to expend large amounts of time and resources on a venture which cannot generate enough income to make their business viable," NACDS warned the court.

This, in turn, renders HCFA's rule "defective" because the Medicaid law requires that pharmacists "earn a reasonable profit so as to encourage their continued participation" in the drug program, the chain group said.

The next move is up to HCFA, which has not yet answered the NACDS charges. Lawyers at the agency are preparing a response to the association's request for summary judgment, and that HCFA filing is expected to surface within the next few weeks.

But in order to achieve this objective, it is 'indispensable' that pharmacy 'reimbursement rates allow for the recovery of costs and a reasonable profit,' NACDS argued.

TRENDS



What's hot? Core groups, select gen'l merchandise

By Al Heller

Hot categories spark the sales heat that fires up drug store performance. The best merchants fan the flames with timely aggressive merchandising, because they know what is hot today may be in ashes tomorrow.

Fads are okay, they say, but enduring businesses are better. They give retailers a warm feeling at night, because they build and shape customer loyalty and expectations.

More and more, retailers are merchandising core health care categories and selected general merchandise goods to make their stores distinctive and reinforce their appeal as one-stop shopping centers for everyday needs.

Enduring businesses give retailers a warm feeling at night, because they build and shape customer loyalty.

Results of the first *Drug Store News* hot merchandise categories forecast support these trends. Response to the survey was overwhelming and broad-based, and clearly represents the mood of merchants as we enter 1988.

Presidents and ceo's, vice presidents of marketing and merchandising, and general merchandise managers were surveyed over a three-month period in late 1987. They were asked to cite the product categories growing most strongly in 1987 and forecast to grow most strongly in 1988.

In all, 86 surveys from 66 chains came back to Lebhar-Friedman Research, a sister division of the parent company of *Drug Store News*. Forty-six chains of the top 100 fed back their predictions, as did 20 of the next 50 largest drug chains.

By far, condoms were cited most often. Three out of four high-level chain executives named the category and, not surprisingly, said AIDS was the driving force behind condom sales. They anticipate a whopping 36.1 percent dollar sales increase in 1988.

Lens care was named by six out of 10 retailers, who anticipate an 18.3 percent sales gain in the category next year.

At-home diagnostic test kits and video categories were named by about the half the retailers surveyed. Top merchants and execs forecast 31 percent sales growth for test kits this year, particularly for pregnancy and ovulation, diabetes, AIDS and venereal disease detection. They expect video to grow 27.7 percent, thanks mostly to the boom in home entertainment and tape rentals. They also anticipate gains in sales of blank and prerecorded tapes.

The surge in home offices will spawn a 23 percent sales growth in office supplies, predicted 28 percent of retailers surveyed.

Convenience goods will drive food growth in drug stores in 1988, as drug retailers posture more aggressively to snatch fill-in visits from supermarkets. In all, 28 percent of retailers surveyed said food sales would grow 22.4 percent in 1988.

About one in four retailers forecast that photofinishing dollar volume would grow 20.1 percent this year.

Nutritional supplements were also cited by about one-fourth of drug retailers surveyed. They anticipate a 14.9 percent sales gain in the category in 1988.

Cough/cold medications were named by 23 percent of top chain executives who responded. On average, they expect an 11.3 percent sales increase this year.

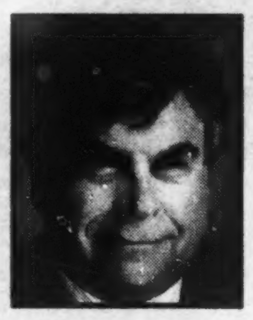
More than one retailer in five also named analgesics as a hot growth category, expected to expand 12.3 percent. Interestingly, a SAMI study on the contribution of new products to many health and beauty aids categories shows that new internal analgesics entries since 1980 currently account for 19.9 percent of internal analgesics sales.

And reading glasses were cited by 22 percent of top chain executives, who expect the category to grow 32.3 percent this year. That is the second-fastest anticipated growth rate, slightly behind condoms.

An independent view of The Top Ten

Alan Teitel has his finger on the pulse of American consumers. As Midwest regional vp for the National Association of General Merchandise Representatives, president of Grat Sales, and chairman of the board of Teitel Brokerage, he is currently servicing hundreds of department and drug store chains throughout the country. The following list of 10 items is his assessment, exclusively for Drug Store News, *of what's hot on the retail scene.*

1. Professional hair products: There's a trend towards professional products in all major mass markets and drug store chains. They're made specifically for the beauty industry for use in salons, but are now available in retail outlets. Although they aren't advertised on TV, conditioners outpace shampoo by about two to one, while conventional brands sell shampoo over conditioner by almost three to one. Because all things Australian look hot, look for Down Under products like Aussie Mega and Three Minute Miracle to be top sellers.


Teitel

2. Plaque fighting toothpastes: Thanks to all those convincing ads, everyone realizes the importance of having pearly white teeth and fresh breath. That's good news to the makers of these toothpastes, which contain a patented formula made with microscopic plants like Sanguinaria. This ingredient helps fight plaque buildup for up to four hours after brushing. Names like Viadent, among others, are on the leading edge in this category.

3. Tennis bracelet: First popularized by Chris Evert Lloyd, these trinkets are making quite a racket on or off the court, with sales reaching 2,000 dozen per week. Diamonds handset in 24 Karat gold and worn on the watch hand, they're an attractive compliment to any outfit. While the real thing may cost from $1,200 to $50,000, costume jewelers have made them so affordable so that it's "love" at first sight.

4. Tanning lotion jewelry: They're the perfect solution for people on the go. Worn around the wrist or ankle, you'll never have to worry about sunburn again, because protection is literally right at your fingertips. These gadgets sell particularly well among the 13-21 age group and are sure to be a hit for those who follow the sun.

5. Bathing caps: The newest item on the comeback trail. Sun and chlorinated water can play havoc with today's longer hairstyles. No one wants dry, lifeless hair that frizzes or splits. Those same people who laughed at grandma's bathing cap are now flocking to the stores for their own.

6. Vaporizers: No longer a luxury and not just for people with breathing problems. People have begun to realize what expensive spas have known for years; humid air is the key to better skin care. These items are a must in the winter months, when home heating systems can rob the air of its valuable moisture, leading to dry, flaky skin and even breathing problems. So don't get steamed, get vaporized!

7. Budget skin creams: You don't have to pay a million to look like it! Now value priced creams like Avanza are making a name for themselves on the mass market as an inexpensive alternative to the products sold at department stores.

8. Men's cosmetics and skin care products: Gentlemen, place your bets. Cologne is outselling aftershave three to one. The odds are excellent that Vitamin E and wrinkle creams, along with astringents for the face will race neck and neck in popularity. Speaking of necks, shaving brushes and soap continue to be hot sellers. New items include concealers for those dark circles under the eyes and skin bronzers. We'll never tell!

9. False eyelashes: Definitely out for at least 10 years and supposedly dealt a death blow by the teary excess of Tammy Faye Bakker, the eyelash is about to come fluttering back into favor. Long lashes can be long on eye appeal, as a whole new generation is about to discover. Look for a major manufacturer to start promoting them on a national basis.

10. Cranberry juice: Who says it can't taste good and be good for you? Cranberry juice is not only a delicious holiday refresher, but medical research has shown that it provides vitamins and minerals, not to overlook its benefits for the kidneys and bladder. Among liquid refreshments, it's the berries!

Booming market for condoms still gathers steam

Fueled by the AIDS epidemic and the collapse of alternate birth control methods, the booming market for condoms continues to gather steam. Sales for the first eight months of 1987 were up a robust 32 percent in dollars and 27 percent in units over previous-year levels, according to Pipeline Research, as a rapidly shifting social climate spurs a revolution in the acceptance and use of condoms.

The growth has been a boon to both small and large condom manufacturers. Some of the industry's newer suppliers have seen a doubling or tripling of sales in the past year as retailers expand their selection to include secondary brands. The major brands have also enjoyed double-digit gains, indicating an overall growth in demand.

Drug store retailers, who enjoy the lion's share of condom business through their health care franchise, agree with the growth figures. "Sales are absolutely higher now than they were even earlier this year, with terrific turns for the whole condom rack," said Ken Chocol, a buyer for Perry Drug Stores.

"We carry three basic lines from Carter, Schmid and Ansell, all of which are doing well," Chocol said. "We're also getting very good results from a secondary rack at the feminine hygiene area. We use it to promote new brands, which we rotate on a monthly basis."

"It's been a great year for condoms, with about 20 percent sales growth in our stores," added Bob Watson, prescription drug buyer for Canada's Big V Pharmacies Co. in London, Ontario. "I think the growth will continue, not only because of the AIDS scare, but for general disease prevention, as well. With the need for stronger and stronger antibiotics to treat diseases, I think more doctors are going to be urging their patients to use condoms."

Peg-racked condoms at a Newton, Mass., Walgreens.

Watson said the chain has tied its condom rack into the feminine hygiene section, and moved it away from the pharmacy area and out to the front of the store. Women, he said, now account for about one sale in every four.

Drug Emporium, historically one of the most committed condom retailers in the industry, also reports booming demand. "The unit and dollar growth are quite strong, even for us, and we've always maintained a big eight-foot section for condoms," noted Dale Rogers, Southeast merchandising manager for Drug Emporium. "We're way up in units."

The condom sales boom hasn't come without at least one major problem for many retailers, however. That problem: persistent out-of-stocks in 1987, particularly in products by the two major suppliers, Carter and Schmid. Lacking the buying clout of their larger counterparts, small chains encountered the worst supply problems. Problems arose when the booming demand outstripped manufacturing and distribution capacity. Product recalls by the Food and Drug Administration further crimped supplies.

The recalls were due to FDA concerns over product testing and failure rates in some products. The failure rates were never seriously out of line, and the problems have since been corrected, but suppliers still struggle to meet demand.

"It's been a tough year for condoms because we've had no merchandise," said Ralph Kinder, buyer of proprietary drugs and health aids for Begley. "I have no idea what kind of year we could have had if we'd had enough product."

"There have been so many out-of-stocks this past year," agreed Big V's Watson. "Schmid had the biggest problems because of the recalls, and they're our biggest supplier."

Perry's Chocol also noted supply problems last year. "We're upping our inventory schedule from a four-week order delivery to six or seven weeks to get a better handle on out-of-stocks," he said. "We've had some delays in shipping time from the manufacturers because of the increased demand."

It wasn't always so, of course. In the years before AIDS, birth control side effects and other issues began grabbing headlines, condoms were considered a distant runnerup among birth control choices for many Americans. Even their open sale was restricted until a Supreme Court ruling in 1977 allowing sale to minors without parental notification.

That picture has been rendered obsolete by a decade of unnerving sexual complications, beginning with the rapid spread of incurable genital herpes, penicillin-resistant gonorrhea, chlamydia and other sexually transmitted diseases (STDs), and culminating with the chilling spread of AIDS. Faced with the potential for a major breakout of AIDS into the heterosexual population, U.S. Surgeon General C. Everett Koop and other prominent health care authorities have called for the widespread distribution of condoms.

73% of retail drug merchants surveyed said condoms would be one of the hottest merchandising categories in 1988.

These merchants also predicted that condom sales would increase 36.1% in 1988.

Source: Lebhar-Friedman research

"The best protection against infection, barring abstinence, is the use of a condom," Koop noted last year in a widely publicized remark.

Barriers to the advertising and display of condoms have crumbled under the pressure. Most major consumer magazines and dozens of local television stations have begun accepting condom ads.

Keying on the increasing social acceptance and demand for condoms, many drug chains are considering featuring condoms in print ads for the first time. "We haven't really put ads together yet for our circulars, but it's coming, probably in early '88," noted Perry's Chocol.

"We recently added product from VLI, Ansell and National Sanitary Labs to our basic mix, and we're considering some advertising with Ansell," said Rogers of Drug Emporium.

Some chains, including Revco D.S., have already begun featuring condoms in circulars. Reaction from the public has been mostly positive, a Revco spokesman reported.

Profitable lens care one tough category to manage

New consumer awareness on compliance and price cuts will continue building sales in lens care, which was among the hottest of the hot drug store categories this year.

But while drug chain buyers expect strong growth into the next decade, a seeming unending stream of new lens care regimens has made category management a major task. Buyers have to reset shelves on a regular basis to pick up the latest lens care products prescribed by doctors, closely watch movement, and try to keep inventory investment at a reasonable level.

"Everytime we do a planogram, it's outdated six weeks later. It's very hard to manage," said Mike Weiner, vp at Rix Dunnington of Massachuesetts.

Jim Kyle, a buyer at Tom Thumb/Page in Texas, says the product proliferation is confusing consumers and curbing profitability.

"[The industry] is projecting an 8-percent increase in sales [for 1988]. But they've increased the number of new items by 30 percent to 40 percent. You've got more money invested in inventory, and less return on your dollar," Kyle said.

Despite these concerns, which are generally held among chain buyers, lens care has been a major profit center in drug stores, where 70 percent of lens solutions are sold.

"My sales are still very, very steady, and seemingly growing. It's definitely a hot category in the drug store today," said Tom Thannon, pharmaceutical buyer with Austin Drugs, of Long Island.

58% of retailers surveyed by Drug Store News ranked lens care products as among the hottest of merchandise categories.

Retailers predicted lens care sales will increase by 18.3% in 1988.

Source: Lebhar-Friedman research

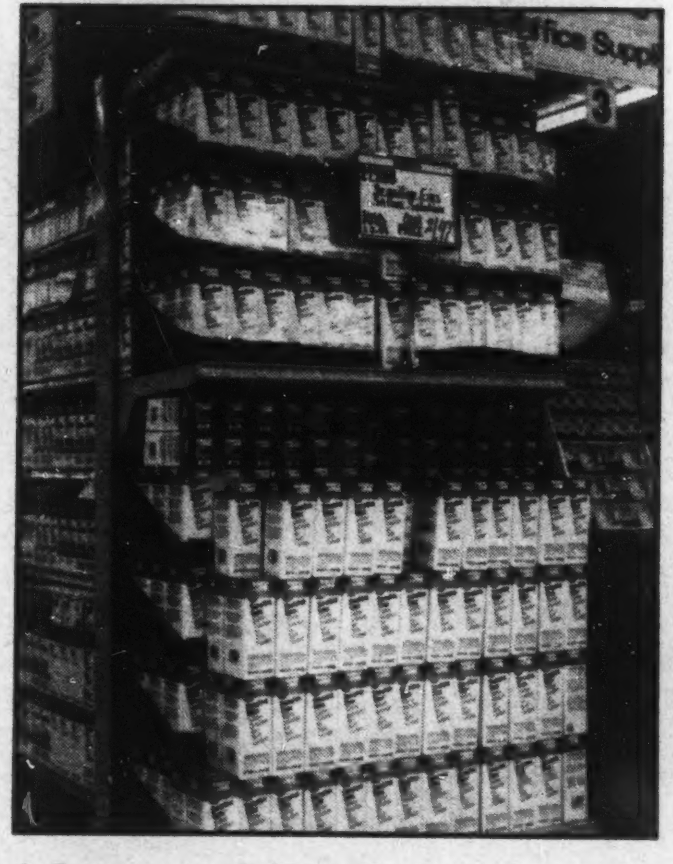
Two trends fueled sales in 1987.

Some vendors followed Bausch & Lomb's lead in mid-year by slashing prices as much as 50 percent on saline solutions, stores' largest segment in unit and dollars sales. Ross Lab's Abbott division's rock bottom pricing on its new Murine lens care regimen furthered the price leveling trend. Buyers felt the cuts were overdue since consumers have become less willing to pay high price points for "salt tablets and water," in one buyer's words.

"The customer is never going back to $3 to $4 for a 12-ounce saline solution," said Austin's Thannon.

The second sales-boosting trend was better compliance by users in reaction to recent publicity about corneal ulcers and corneal infections stemming from improper lens use.

"There's a recognition that these are medical devices that have to be cared for," said Dr. Vincent Zuccaro, vp-professional services at Barnes-Hind.


A lens care endcap display at the No. Bruswick, N.J., Rx Place.

Dr. Zuccaro said users are removing and cleaning their lenses more frequently, every three or four days, rather than every 30 or 40 days. The compliance has resulted in more lens care solution sales.

Barnes-Hind estimates that lens care solution retail sales in drug, grocery, and mass merchandise outlets were $642 million in 1987, with projected growth to $1.2 billion in 1992.

Vendors hope sales will also arise from new options in lens care that will convince the 14 million lens owners who have stopped wearing their lenses to use them again, and capture first-time users as well.

Buyers said doctors are recommending regimens that combine and simplify or speed up the steps required of a lens care system. These systems include Allergan's Ultrazyme enzymatic tablet, B&L's new ReNu system, and Alcon's Optizyme.

Meanwhile, buyers said the systems that employ hydrogen peroxide such as Ciba Vision's AOSept and LenSept, Allergan's OxySept, and Coopervision's Mirasept, are gaining market share.

"There's been a surge in hydrogen peroxide sales," said Joe Graddy, a buyer with SuperD.

A Barnes-Hind study of doctors' recommendations supports that perception. The recent 12-month study showed that doctors' recommendations of hydrogen peroxide systems to patients had increased by 70 percent. In comparison, prescriptions for heat disinfection systems were down 10 percent, and those for chemcial disinfections regimens were down 9 percent, Zuccaro said.

"Hydrogen peroxide is growing extremely rapidly at the doctor level," he said, adding that Barnes-Hind is introducing its first such system this year, called ConSept.

At-home diagnostic test kits continue upward spiral

Raley's FAMILY PLANNING
PRICE. C ARE • SAVE AT RALEY'S

Raley's, a Sacramento-based combo chain, merchandises pregnancy and ovulation test kits along with condoms and spermicidal gels in a specially plan-o-grammed family planning unit located directly in front of the pharmacy in its Woodland, Calif., store.

More consumers than ever before are dipping and sticking themselves, as sales of at-home diagnostic test kits continue their upward spiral.

According to drug chain buyers' projections, sales of at-home diagnostic test kits are likely to increase by 31 percent in 1988.

In terms of dollars, one long-term projection by Arthur D. Little, a Massachusetts consulting and research firm, projects that the OTC diagnostics market will hit $610 million by 1990, nearly triple what it was in 1985.

While the driving force behind record sales in this category has been a handful of pregnancy test kits that include Warner-Lambert's E.P.T. Plus, Tambrands' First Response, Ortho's Daisy 2 and Fact, Carter-Wallace's Answer Plus and Becton Dickinson's QTest, it looks as though that will be changing.

Although pregnancy test kits are expected to help continue driving up retail sales of at-home diagnostics, Pipeline Research, a marketing research firm believes that ovulation test kits, many manufactured under already recognized names as the pregnancy test kits, will be the darlings of this category in 1988.

But while ovulation and pregnancy test kits dominate the at-home diagnostic category's sales growth for now, the buyers were quick to caution not to overlook the approximately 300,000 diabetics who will purchase at-home testing equipment in 1988.

Diabetics appreciative

"An average diabetic customer buys three times more than one who is not diabetic," said Rosemary North, buyer, Snyder's Drug. "Once diabetic customers know you will go out of your way to accommodate their needs, that customer is yours."

In the area of diabetic testing, one of the hottest items is a monitor that measures blood glucose when a specially formulated strip with a user's blood smear is inserted. Currently leading the charge in that category are Ame's Glucometer II and Boehringer Mannheim's Accu-check II. Baxter Healthcare has recently announced it will introduce its ExacTech Blood Glucose Monitoring System, a high tech monitoring device that is the size of a pen or pencil.

49% of the retail drug merchants surveyed said that at-home diagnostic test kits will be one of the hottest growing merchandise categories in 1988.

Retail drug merchants surveyed said that the at-home diagnostic test market will increase by 31% in 1988.

Source: Lebhar-Friedman research

A major drawback for merchandising any of these devices however is their high ticket price, usually from $150 to $200. But once a machine is sold, the strip that is formulated for use with that particular machine becomes a demand purchase.

"We can sell as many as 3,000 bottles of strips alone on one ad," said North, "That's where the real return is, and not only in dollars."

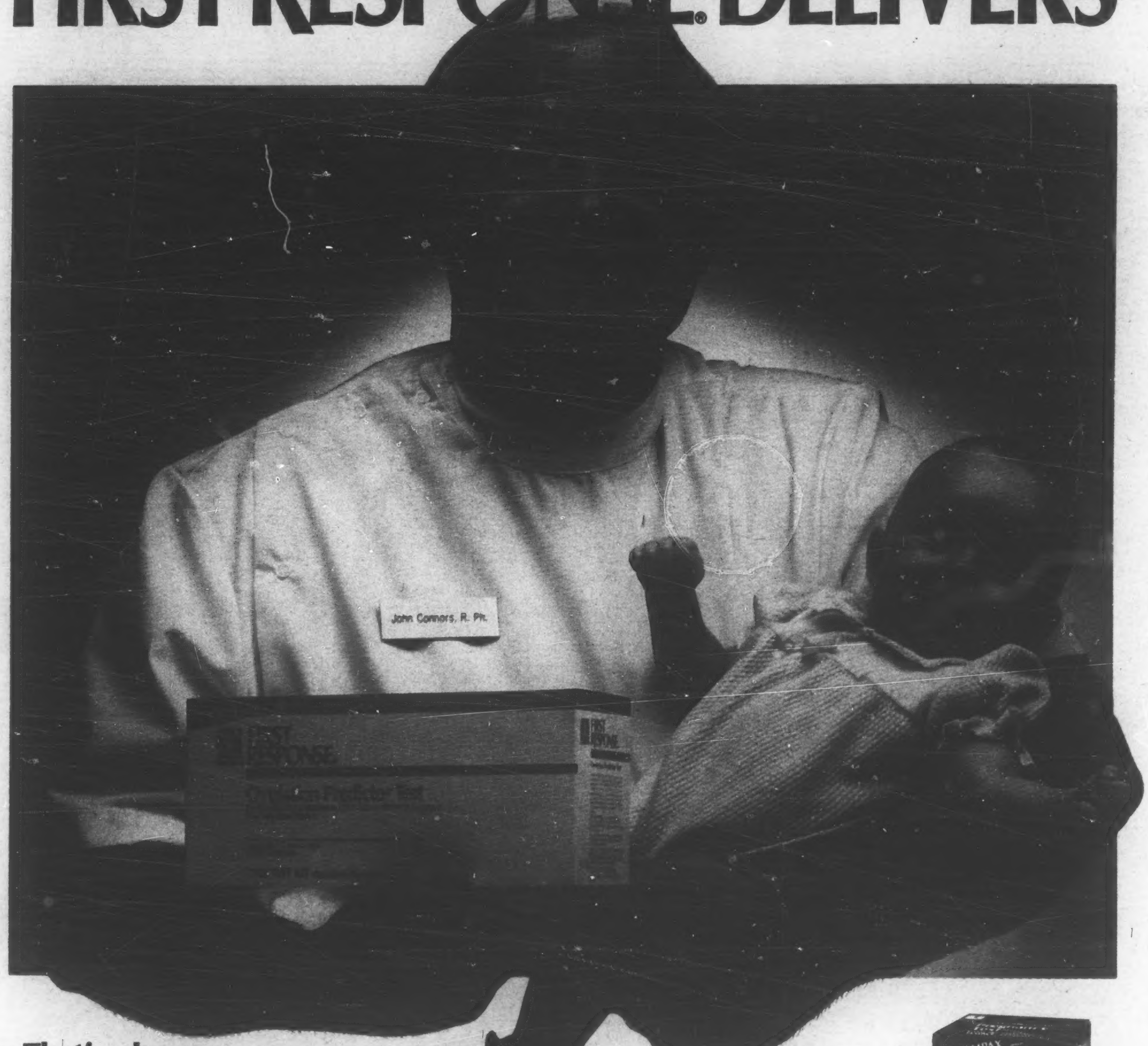
Many chains recognize that purchasers of this devices often need help in choosing the brand best for them.

At Kinney Drugs, the pharmacist is encouraged to help customers in choosing all at-home diagnostic test kits.

"Our pharmacists play an important role in helping consumers understand the various test kits," said buyer Elaine Matott.

Retailers are hopeful that their at-home diagnostic category will expand into other areas over the next few years. They expect to see self-tests for cholesterol and strep throat. Tambrands already has an approved at-home test for strep throat in Canada.

"I've been hearing a lot about a possible cholesterol kit but haven't seen one yet," said North. "I think they will be a big hit when they eventually reach the marketplace."



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*Independent Pharmacy Times Survey: *Pharmacy Times* (1987 OTC Survey) **Data on file, Tambrands Inc.

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From the maker of TAMPAX®

TRENDS

Hot products: Video

Home video revolution reaches high-water mark

This category has proven to be an explosive segment for drug chains; but success requires retailers to stock enough copies of the latest rental hits

Pay 'n Save offers an extensive video rental department, and hanging signs tout the chain's very low price of 99 cents per title per day.

With VCRs now found in more than 50 percent of all American households, the home video revolution has reached a high-water mark, with a remarkable level of penetration in just a few short years as an industry.

The attainment of such remarkable household penetration in such a short time, and the multibillion-dollar market for tape sales and rentals it has spawned, have made video an explosive growth segment for drug chains, but one fraught with perils as well.

Those perils have been well-documented. The fast growth has caused problems. Price-cutting and the scramble for enough copies of the hottest new releases has already put some smaller, less-capitalized operators out of business, and forced new levels of discipline on drug chains that devote space to rentals.

"The rental business is evolving rapidly, and for a business that's only eight or nine years old, it's starting to look pretty mature," said Gene Fink of WIN records and video, a New York-area distributor.

"I think the shakeout will really accelerate in the next year or two, with a lot of mom and pops closing up. The mom and pops don't have the capital for enough copies to satisfy enough customers, and the renting public is becoming more disenchanted with those kinds of stores," Fink said.

He added: "They've already been through all the older movies, and they want the hottest new selections or they'll take their business to one of the bigger shops."

Both factors—the growing competition from big video chains with huge selections, and the expense and difficulty in obtaining enough copies of the most popular titles—have been enough to keep some drug chains out of the rental business.

The president of one of the Midwest's fastest-growing drug chains noted: "We don't plan to get into the rental business, because there are competitors on every corner and you have to spend a fortune to get the hot tapes. Then, in six weeks, the public wants some other movie, and you're stuck with a dozen copies of an $80 item that nobody wants."

"We don't plan to get into it," added another chain executive in Michigan. "There are already too many competitors, and the margins don't justify the effort and ROI for us."

Many other drug chains, however, have shrugged off those challenges and waded into what can be a profitable, traffic-boosting category.

Among newer entrants are CVS, Walgreens and Long Island's Austin Drug, which tied in a successful Christmas promotion using Walt Disney's newly-released video of *Lady and the Tramp*.

Another recent entry into video rental is the fast-growing Phar-Mor deep discount drug chain. Phar-Mor dazzled the video rental market in Chicagoland with a new, high-volume video rental business centered in a brightly-lit kiosk at the front of the store.

By offering its rentals at 69 cents a night—the lowest price in town—Phar-Mor has built a high-volume business in a few short months, and recently developed a much larger video center for its newest Chicago-area store, according to spokesperson Carol Robinson.

47% of the retail drug merchants surveyed said that video will be one of the hottest growing merchandise categories in 1988.

Retail drug merchants surveyed said that the market will increase by 27.7% in 1988.

Source: Lebhar-Friedman research

To avoid the pitfalls plaguing many mom and pops, however, most drug chains which have gotten into the business rely on outside expertise—including full-service wholesale distributors, rack jobbers and even leased vending machines stocked by others—to handle many facets of the business.

"There are now about 400 to 500 new releases a month, and we have to boil that down for our retail customers," Fink said. "With tapes costing them $60 at wholesale, we can't afford to recommend bad titles."

In terms of blank videotape, the industry's rapid maturity means a slowdown in new sales growth, and a scaling back to single-digit growth projections in the number of VCRs and blank video tapes sold in future years.

The original Electronics Industry Association forecast for 13.7 million VCRs and 340 million blank videocassettes sold to retailers this year has now been reduced to 13.5 million VCRs and 310 million pieces of blank tape, due to an overall flatness in the market in the first half of the year.

In terms of blank tape, noted one industry executive, "We are now dealing with a market which can be considered mature, and this translates to more conservative growth rates.

"We will no longer see the dramatic double-digit annual growth experienced during the period 1983 through 1986 because household penetration has soared from less than 20 percent to a substantial 50 percent level," said general manager R. Stanton Bauer of Fuji Photo Film USA's Magnetic Products Division.

Bauer was quick to add, however, that "single-digit growth on an immense base is still impressive growth."

Together with supermarkets, in fact, drug stores have done most in recent months to capitalize on the continuing demand for blank videotape.

"Over the last 12 to 18 months, the food and drug channels have enjoyed the most growth, and now constitute 11 percent of total videocassette sales," Bauer noted in a recent report. "We believe that these two channels, in particular, will continue on a fast growth curve throughout the balance of the '80s."

One reason: the growing importance of female buyers in a once-male dominated category. Women—who dominate the drug store and supermarket shopping environment—now make up about half the market for blank videotape, according to Bauer, and their importance continues to grow. As it does, it is shifting the balance in favor of drug and supermarket chains.

Retailers seem to agree. Noted Frank Newman, president of the F&M Distributors chain of off-price drug and H&BA stores: "Blank video has been a very strong category for us, with sales up 300 percent in the past year."

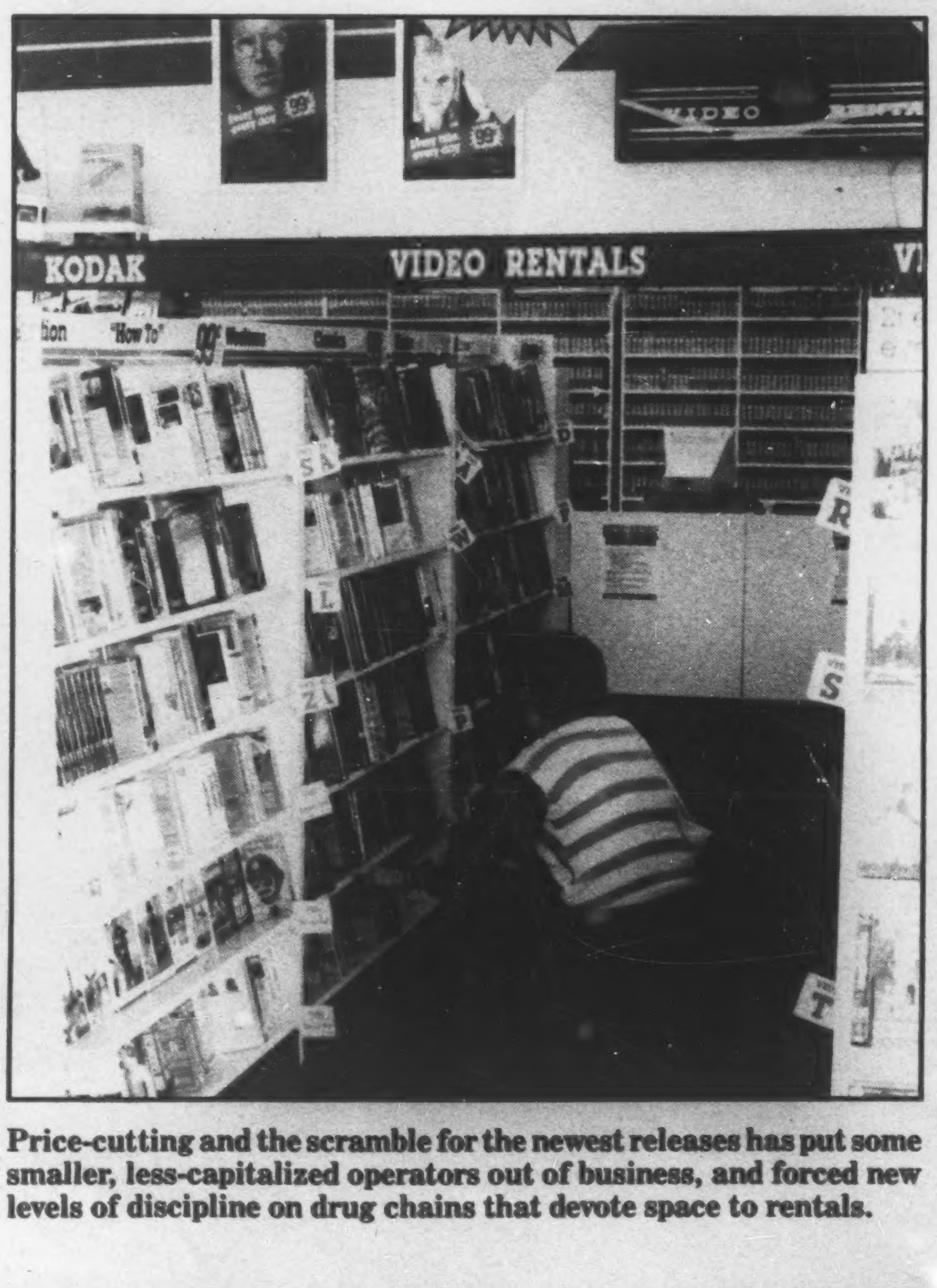
Newman attributed the gains to both the boom in demand and F&M's own more aggressive marketing efforts.

Overall, according to Bauer, mass market discount chains continue to dominate the blank tape market, with about 35 percent of total sales in units.

One variable that is sure to have an effect on the entire video market—both sale and rental—is the advent of two new high-tech videocassette recording formats. Called Super VHS and ED Beta, the new VCRs and tapes offer vastly improved image quality over older equipment and tape. One manufacturer compared the new technology to that of digital recording or compact discs compared with LPs.

Unknown, however, is how quickly the new, more expensive tapes and VCRs will win space on retail shelves. Besides their higher cost, the new tapes are incompatible with older VCRs, and they offer high-resolution picture benefits most TVs aren't equipped to properly show off.

Another challenge for the new technology: inventory levels of older VCRs are still backed up an estimated 60 to 90 days in oversupply at the factory, wholesale and retail levels, according to *New York Newsday*.



Price-cutting and the scramble for the newest releases has put some smaller, less-capitalized operators out of business, and forced new levels of discipline on drug chains that devote space to rentals.

Office supplies capitalize on need to organize

With increasing numbers of people working from their homes, the local drug store, with its competitive prices, is a favored resource

Mailers and envelopes are hot items in the office supply section of stationery departments, such as this one in Genovese's Ardsley, N.Y., store.

People are trying to get better organized.

More and more, they're working from their homes, and when they shop, they want convenience.

These concerns have made office supplies—and stationery in general—a highly profitable core department in drug stores across the country.

"Organization is a big subject—it's selling this year," said Cynthia Stahley, assistant stationery buyer for Genovese Drugs.

"Consumers are looking for convenience," said Mary Loeser, school and office coordinator at Bartell Drug in Washington state. Loeser said shoppers prefer the corner drug store to the specialty office supply store when the latter is remotely sited or in hard-to-reach shopping malls.

"We're getting competitive with the commercial people—certainly, we have competitive prices," Loeser added.

Office supplies took a top spot in *Drug Store News'* survey of hot merchandise categories, as the fifth most frequently named growth category. Drug merchants predicted it will grow 17.3 percent in 1988.

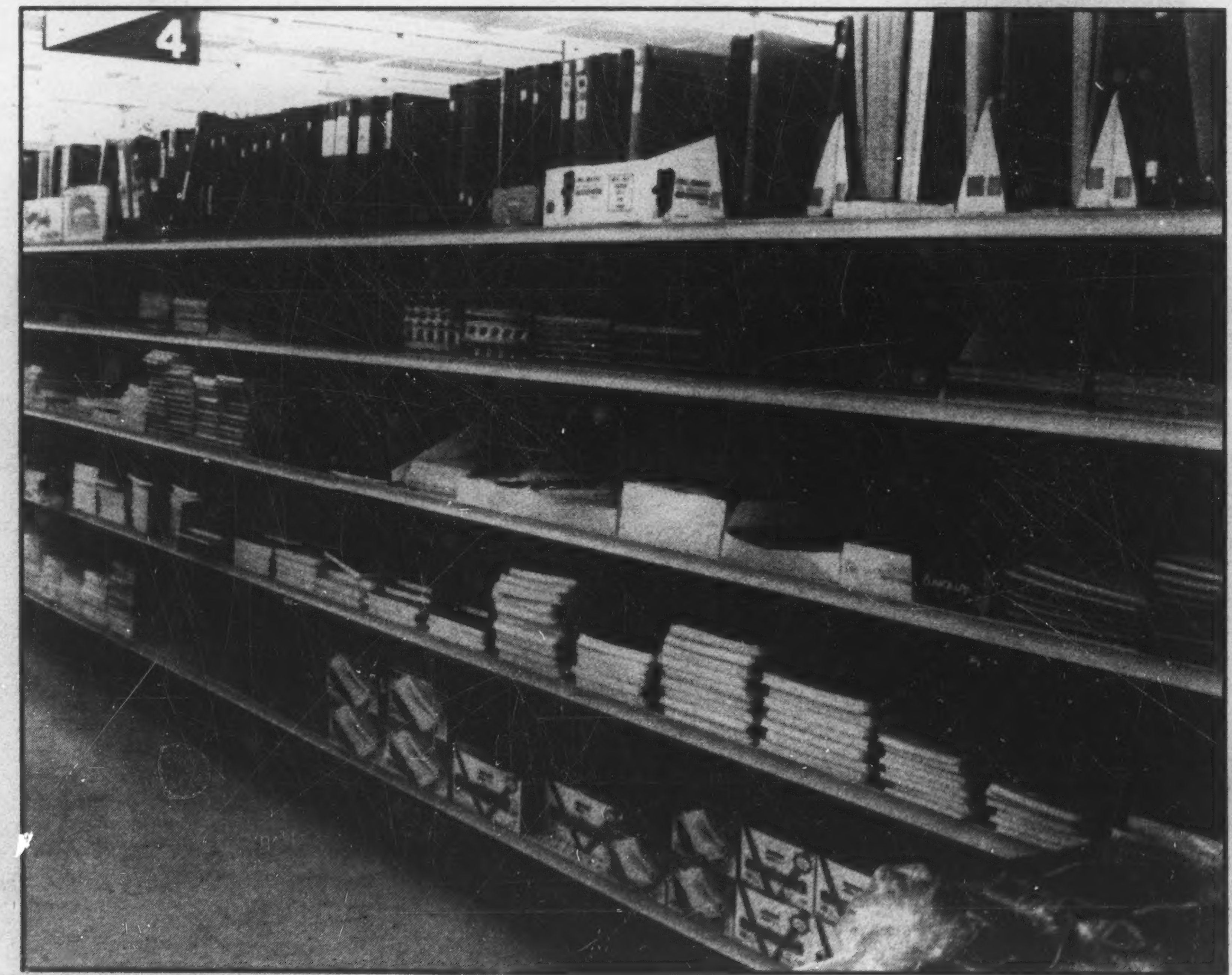
Stationery vendors are shifting more attention to drug chains and mass merchandisers and away from commercial office supply outlets, as they perceive mass retailers' strengths in merchandising this category, said Brian Huart, stationery buyer for Brooks Drug in Rhode Island.

What's selling best in the office supplies, everyone agrees, are the unglamorous items: business envelopes ("Tons!" as one buyer put it.), tablets, legal and memo pads, steno books, typing paper, file cards, and writing instruments.

"The consummable, good, basic merchandise," summed up Larry Ishii, general merchandise buyer for Vons.

Vons expects the category to grow 12 percent to 15 percent in '88, "over an already successful '87, " said Anthony Fanticola, vp-general merchandise.

The California chain is expanding office supplies in its new food/drug format, devoting about 12 feet of the section to peggables, of which 30 percent to 35 percent is writing instruments.


Drug stores such as this Happy Harry's in Wilmington, Del., offer convenience to consumers too busy to seek out a specialty store for office supplies.

For some chains, added business is coming from mailing supplies, such as padded mailing bags, white boxes and wrapping tape. "Companies are coming to us with programs they've developed for the mass market," said Huart.

Brooks added mailing supplies when it replanogrammed the stationery department in July. It picked up space for mailing supplies in moving the category from a gondola onto the wall. Brooks carries "Wrap and Mail" from Tape Inc. and lower price-point giftwrap packages and boxes. "We want to be a one-stop store in stationery," he said.

Buyers' early '87 prediction that color would brighten sales was borne out during the year and will continue to be important in '88, they say. Fashion surfaced in everything from legal pads to Rubbermaid's and Eldon's desk accessories lines. "Customers like the fashion colors," said Bartell's Loeser.

"Colored paper is growing, and the coloring of accessories attracts shoppers," especially women, said Genovese's Stahley.

"Desk accessories have sales potential," Ishii said, "but they're not frontrunners, in terms of dollars." While retailers are always looking for subcategories to exploit, "the thrust is basic items," he maintained.

"People are looking for quality at a low price," Loeser said. "They're taking a hard look at what their needs are at home." She added that Bartell is looking at lower-priced briefcases and portfolios, because of customer requests.

Customers aren't the only ones yearning for better organization: Chains find it a challenge to keep their stationery shelves neat. For many, such shelf organizers as the lucite Mead Merchandising System (MMS) are the answer to their prayers. "We use them chainwide," Huart said. "They're tremendous."

But messy or neat, the variety has to be there, some buyers said. Rite Aid, for example, replanogrammed stationery last year: "We cut down facings, and put in 60 more items," said Irv Trionfo, paper and stationery buyer.

Although Rite Aid also added computer paper, with modest results, some chains, such as Genovese and Brooks, are reluctant to offer computer items. "We got out of computer supplies about two years ago," said Huart. "Maybe we were too early with them, but I think people tend to go to computer stores for that."

Tax-time products may experience an upsurge in '88, Stahley thinks. She sees record-keeping products becoming more important because of tax law changes and stock market volatility: "People are more concerned about keeping their financial records."

28% of retail drug merchants surveyed say office supplies was one of hottest categories in 1987.

These merchants expect office supplies sales to increase an average 17.3% in '88.

Source: Lebhar-Friedman research

Increasingly, chains are advertising and promoting office supplies year-round. "The peaks and valleys are smoothing out," said Huart.

"We're highlighting office supplies more often," Stahley said, adding that such discount office supply chains as Staples are calling attention to home/office supplies. "They make customers more aware of product lines—that makes our section grow."

"In the past, there wasn't the emphasis on the department," said Loeser. But today, it's regularly promoted by most chains.

Bartell now advertises something from the department regularly, with mailing supplies stressed at Christmas. "The more we advertise, the better," said Loeser.

Aisle stacks and deep inventories of cookies and candy drive home a value message in this Chicago Phar-Mor store.

Consumers turning to drug stores for their quick-stop grocery needs

Most drug chain merchandisers say food and grocery sales increased at least 20 percent in 1987, and should generate even stronger growth in 1988.

Buyers say their fastest growth segments in food were: candy; snacks; refrigerated convenience foods (milk, juices, yogart, etc.); soft drinks and other beverages, especially single-can cold sodas, bottled juices and Gator Aid; and promotional groceries like canned fish, cake mixes, jams, jellies, and microwave popcorn.

28% of retail drug merchants said food will be one of the fastest growing categories in 1988.

Drug merchants predict food sales will increase an average 22.4% in 1988 vs. 1987.

Source: Lebhar-Friedman research

Buyers tell *Drug Store News* they attribute the category's growth to a number of factors including:

- The expansion of convenience food sections in chains like Walgreen's and Eckerd;
- The increased frequency of featuring food items in circulars and weekly newspaper ads;
- The increased use of shopper displays to put more food and snack products out in the high traffic aisles of the average chain drugstore;
- The expansion of permanent everyday space for promotional groceries in chains like Longs Drug, CVS, Rock Bottom, Genovese, Drug Emporium, Eckerd's, and People's.
- The expansion of the product mix into such segments as microwavable popcorn and cake mixes, canned pineapples, canned shrimp and salmon, imported candies, english muffins, and asceptic juices.

At Eckerd Drug in Florida, Pete Agostino who is the corporate merchandise manager responsible for Eckerd's grocery merchandising, says his food growth in the past year has been "substantial" with sales increasing at double digit rates.

In California, Bill Combs, vp-administration for Longs Drug, says food sales have been "good," partly because Longs is extremely competitive on price and partly because consumers are used to buying foods in the Longs drug stores.

On the East Coast, Gary Lefferts, president of Austin Drug in East Meadow, N. Y., says sales of his snacks, candies and promotional groceries have been consistently strong. "We're getting good steady growth from that category," he says.

Drug chain buyers tell *Drug Store News* that they are using their food category in two ways: as a traffic builder with a high consumption level and with higher gross profit margins than the more competitive H&BA categories like shampoos and toothpastes; and as profit builders, especially in such segments as snacks, imported candies, large size candy bars, and select convenience grocery items like juices, cheeses, frozen pizzas, and gourmet ice creams like Häagen Dazs and Frusen Gladje.

Chains with stores in high traffic urban centers are also particularly enamored of foods.

In New York City, Eli Cohen, president of Duane Reade, whose stores attract huge blocks of inner city office workers, says his chain stocks food as an "accomodation to our customers."

"Snacks and candy sell particularly well for us," he says, "and their sales to date are up 20 percent over the last year.

"Many of these items are loss leaders for the food chains and we don't make much money on them, but we manage to be competitive, and we do it because we feel we owe it to customers as a service."

Research among these candy experts shows our bright new packages are a real hit!

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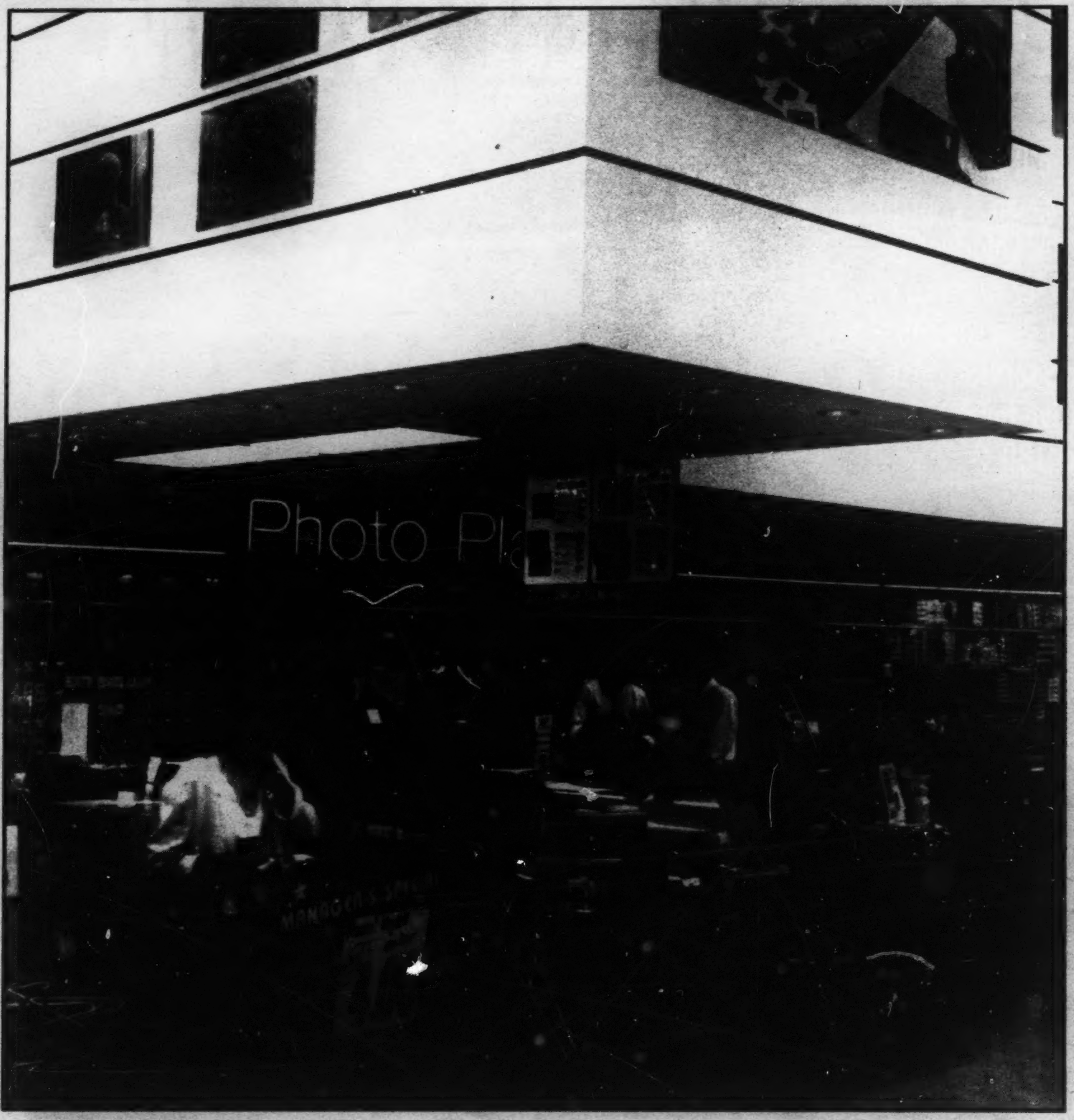
Retailers cash in as photofinishing sales develop

The burgeoning popularity of point-and-shoot 35 mm cameras spurs corresponding increases in sales volume for quality photofinishing



The photo department in this H.E.B. San Antonio, Texas, combo features easy access at a site adjacent to the front door.

26% of retailers polled in Drug Stores News' survey of merchandise categories ranked photofinishing as among the hottest departments.

Retailers predict photofinishing sales will grow 20.1% in 1988.

Source: Lebhar-Friedman research

The market for photofinishing remains a healthy one, driven by the continuing popularity of a new generation of easy-to-use, point-and-shoot 35mm cameras. More than ever, chain and independent drug stores are marketing quality rapid developing services for amateur film buffs, and reaping the benefits of higher sales.

"We're expecting growth of 11 percent to 12 percent in photofinishing in 1987, on top of 13.9 billion exposures taken in 1986," said Ted Fox, editor of the Photo Marketing Association's Industry Trends Report. "The growth surprised some people, since prior-year growth levels have been around 6 to 7 percent."

Fox and other industry participants, including chain drug photofinishing managers, attributed most of the boom to the corresponding explosion in sales of point-and-shoot 35s. The 35mm camera market has spawned a new generation of more serious, quality-minded amateur shutterbugs and more picture-taking in general.

"Nineteen eight-seven was really a breakout year in point-and-shoot lens shutter cameras, which went from 5 million units sold in 1986 to about 7 million last year," Fox said. "The ease of operation of the point-and-shoot 35s, and the improved clarity of prints they offer, has led to a step-up consumer and a big increase in exposure levels."

"Photo processing sales grew more in 1987 than the analysts predicted, and the growth is all in 35mm," agreed the photo marketing manager for one of the nation's biggest drug chains. "This is especially true now that Kodak is shifting away from disc in favor of 35."

> *'There are no more photofinishers left but the giants,' one manager said. 'Because of that, we're going to see a rise in the cost of the service.'*

The growth of easy-to-use 35mm photography has led to "a whole new category" of picture-taker, according to the same manager. Those photo buffs, whose 35mm film now accounts for an astonishing 55 percent of all photoprocessing done by wholesale labs, according to the PMA, (see accompanying chart) will drive the business in the next few years, he said.

"We're going to see bigger increases over the next couple of years, because these consumers have invested enough money in their cameras to want to use them more frequently," he added. "The 35mm amateur is going to be a lot more serious and dedicated about picture-taking than the old pocket camera buffs."

For drug store retailers, however, the growth will not be automatic, and profits will be harder to come by as competition increases. "The independents are going to get killed in this business unless they're smart and learn to market their service," said one photofinishing manager. "Basically, the chains and independents who promote aggressively, have convenient locations, and market quality as well as price, will do well."

The disappearance of many wholesale developers is also changing the way most retailers do business, he noted. In particular, the recent merger of photofinishing efforts by the industry's two biggest developers—Kodak and Colorcraft—will lead to a captive retail audience, the manager argued.

"There are no more photofinishers left but the giants," he said. "Because of that, we're going to see a rise in the cost of the service, but that's not necessarily a bad thing. The consumer has gotten used to price competition, and we're all going to have to raise our prices or lose money. The retailer has made photofinishing so competitive, it's become a price war situation, where we're either marketing quality or using it as a loss leader."

Agreed a spokesman for Raley's on the West Coast, "You're seeing a real price battle on processing, but we didn't choose to join that battle. Aggressive marketing and quality photofinishing is where we're putting our emphasis."

One outgrowth of the 35mm revolution has been the rise of one-hour mini-labs, which are gaining an ever-increasing market share against overnight competitors. Shutterbugs like the speed and the personal touch one-hour labs offer, as well as the ability to have prints corrected immediately if they aren't satisfied.

"Mini-labs are definitely growing, and there are now several hundred of them in drug stores around the country," said Mark Owen, marketing manager for Noritsu, a leading supplier of mini-lab photoprocessing equipment. "The mini-lab business really turned the corner in late '86 and early '87."

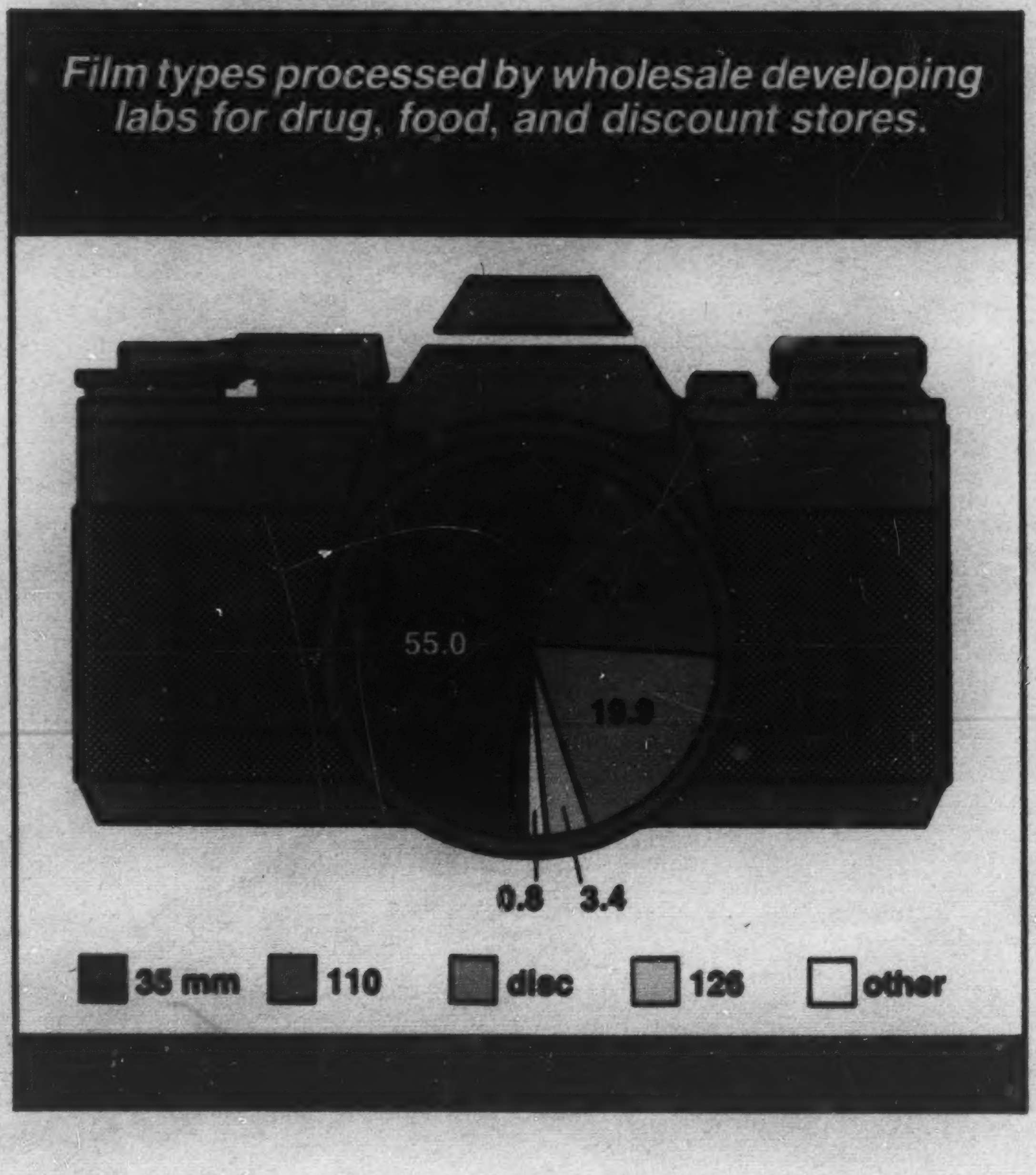
Owen attributed the boom to several factors, including easier-to-use machines, higher margins and smaller footprints for the machines. Chains like Eckerd Drug are putting a heavier emphasis on in-store minis, he argued, because they offer higher service levels, a better image and margins that can top 60 percent, compared with 50 percent and under for outside wholesale labs.

The newer generation of one-hour processing machines also require no plumbing—a major change that can make their installation, upkeep and mobility far easier for drug chains to manage. In addition, many suppliers now offer them on lease arrangements as well as for outright purchase, thus lowering up-front start-up costs.

"The supermarkets are a little ahead in the mini-lab business, but there are probably more than 20 drug chains already in the business," Owen noted. "For existing drug stores taking care of their own overhead and rent, mini-labs may be able to break even on a day-to-day basis on as few as 10 to 12 rolls a day."

"Mini-labs are definitely still growing as a percentage of overall business," agreed Ted Fox of the PMA.

Film types processed by wholesale developing labs for drug, food, and discount stores.



Vitamin supplements survive fads to pull a winner

Although fish oil supplements made a big splash early in 1987, many buyers are now looking to less faddish portions of the nutritional supplement category for their bread and butter next year.

Private-label vitamins—especially the old standbys, vitamins C and E—and calcium supplements were among the best movers in '87 and are expected to stay strong in the new year, according to chain buyers interviewed by *Drug Store News*. And fiber items are expected to remain good performers in '88, with added zip seen coming from the new Fibre Trim Sparkling Tablets.

A recent survey conducted by Lebhar-Friedman Research revealed that drug chains see nutritional supplements as one of the 10 hottest categories for 1988. Twenty-one of the 86 respondents predicted that nutritional supplements sales would increase an average 14.9 percent.

But nutritional supplements as a category means different things to different chains. For example, OTC fiber products, although perceived as part of the category by some survey respondents, were more often classed with diet aids or bulk laxatives by buyers reached later. Some chains place them adjacent to vitamins and supplements, or plan to in the new year.

However chains classify nutritional supplements, the category's sales are getting a boost from consumers' heightened interest in healthier eating and exercising habits. "There's a synergistic effect," said Tom Slovenkay, H&BA buyer for Rite Aid. "People are more into body building, and they're eating right *and* taking vitamins."

Chains want the vitamin/nutritional supplement section next to pharmacy. Peoples Drugs is moving vitamins and supplements, along with diet aids, to a spot adjacent to pharmacy this year. The move will allow the chain's pharmacists, often asked for advice on the category, to help customers without leaving their posts.

But if shoppers are more health conscious, they are also more price conscious. That's boosting sales of private-label vitamins and supplements considerably.

At Perry Drugs, private-label calcium and iron supplements have sold "very well" with price-conscious customers, said buyer Lori Shaheen. "You can't blame 'em. They're a lot less expensive."

"Private-label item sales have increased, but the brands are down," said Burtis of Kinney, speaking of calcium and vitamin supplements. "The brands create the need, and we copy them."

24% of retail drug merchants surveyed say nutritional supplements was one of the hottest categories in 1987.

Retail drug merchants surveyed expect nutritional supplements sales to increase an average 14.9% in '88.

Source: Lebhar-Friedman research

Buyers at Kinney and Rite Aid said that Os-Cal and Caltrate, along with private label, are top sellers. Peoples' Clarke said his chain shed a few calcium SKUs in 1987.

Some chains feel they gain fiber product sales by pairing the segment with supplements. But some buyers feel fiber sales are flagging.

Kerr Drugs locates dietary supplements next to vitamins and "they probably enhance each other," said Page Ilderton, a Kerr buyer.

Almost all buyers interviewed said they would also be taking a hard look at fish oils in '88. "Fish oils have been very slow," said Shaheen. "As long as vendors advertised them, they went pretty well. But they're not the wonder child everyone expected."

Vitamins C and E, especially the less expensive private-label items, are steady sellers in nutritional supplements sections, such as this one at Genovese in Ardsley, N.Y.

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All entries must be received by Feb. 15, 1988.
Drawing of correct entries will be made on March 1, 1988,
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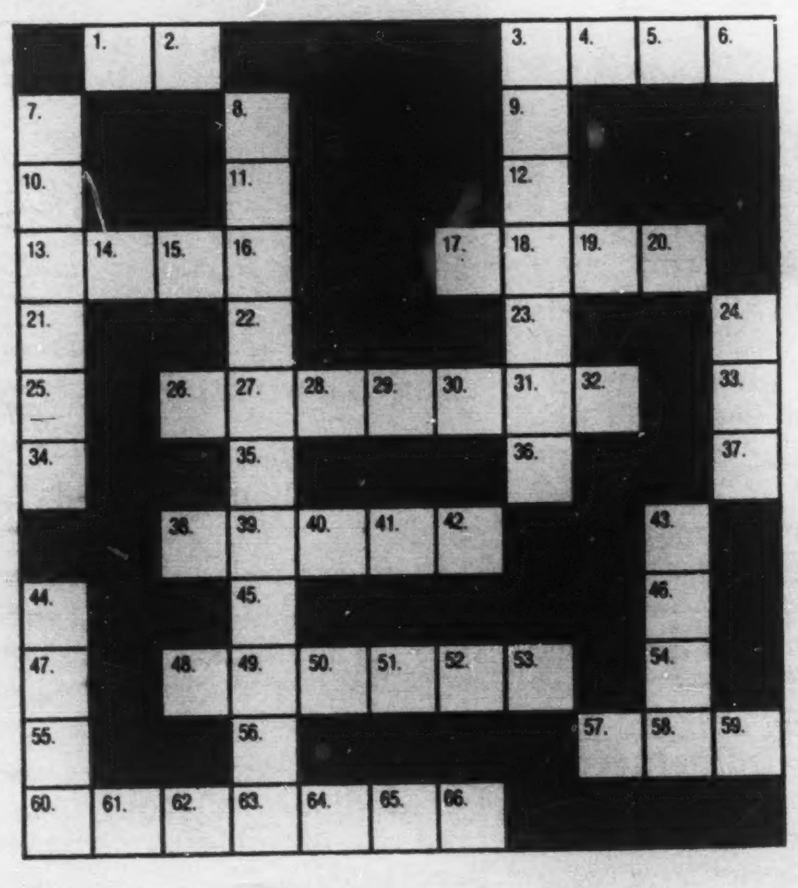

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13. *Eat 'n Lose has more than just...*
17. *One of two most widespread deficiencies...*
26. *Other most widespread deficiency..*
38. *Number of different fibers in Eat 'n Lose...*
48. *Your customers will lose it...*
57. *Eat 'n Lose deserves an additional...*
60. *With this product, dieters can do both...*

Down

3. *Eat 'n Lose has more than just...*
7. *Eat 'n Lose has a complete balance of them...*
8. *Call him to order...*
24. *When should you order...*
43. *How'd you like to win a ------ coat...*
44. *# of glasses of water needed with bulk tablets...*

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New intros, flavors spark cough/cold category

. . . and drugs that have made the switch from Rx to OTC have proven popular with consumers pursuing self-medication

The successful introduction of new cough/cold products and old products with new flavors boosted sales in that category in 1987, a trend that is expected to continue next year.

According to a survey of drug chain store buyers conducted by *Drug Store News*, 23 percent cited the cough/cold category as the one of the ten hottest categories in 1987.

The buyers also predicted this category will grow by at least 11 percent in 1988.

Much of that cough/cold product growth can be attributed to the popularity of drugs which have made the switch from prescription to OTC status that has followed the trend of consumer self-medication.

Several buyers interviewed said that consumers would rather purchase switched drugs because they feel they are more potent than those drugs that have been approved only as OTCs.

A buyer for Perry specifically cited A.H. Robins' Dimetane and Dimetapp and Schering's Drixoral, all former prescription drugs with current OTC status, as winners for the Michigan-based chain this year.

23% of the retail drug merchants surveyed said that the cough/cold category would be one of the fastest growing categories in 1988.

The retail drug merchants said that a 11.3% increase in the cough/cold category was expected in 1988.

Source: Lebhar-Friedman research

Robins and Schering expanded their very successful Dimetapp and Drixoral products to include a formulation that contains an analgesic. Dimetapp Plus and Druxorial Plus were launched in an effort to increase consumer demand by offering multi-symptom ingredients, eliminating the need for consumers who require an analgesic to purchase more than one product.

According to Page Ilderton, buyer for the North Carolina-based Kerr Drug Drixoral Plus was one new introduction which did extremely well at Kerr this year. Ilderton said sales of this category in general are expected to increase as the cough/cold season continues.

Drixoral Plus also received high marks from Medi-Save, a chain based in St. Louis. The product was featured in their ads and in-store displays.

Expansion of category

The cough/cold category proved so successful for some chains, it was necessary to introduce new plans that feature more shelf space and displays.

A family purchasing cough/cold medications.

Dart expanded its product lines and added two feet of shelf space to accommodate the new cough/cold products. Kerr also increased SKUs in this category during the past year and Perry displayed cough/cold products on endcaps designed to tie in with ads.

Some buyers felt that positioning products near a pharmacist who is willing to discuss product benefits and drawbacks with consumers is a key selling tool, creating a customer service which gives a chain an edge on competing stores.

Perry is one chain that merchandised their cough/cold product category near the prescription department to allow pharmacists to consult with customers who had questions as to what product to purchase.

But Rx to OTC switched products weren't the only cough/cold products to do well in 1987. Buyers said that at least one perennial favorite introduced in a different flavor did pretty well.

Vicks Nyquil products continued to enjoy strong sales last year. In particular, Vicks Cherry Nyquil had a very strong introduction and was mentioned by a number of buyers as a product with strong sales this year. Other flavored cough/cold products had brisk sales as well.

"We put up a seasonal endcap in October that remains in place for six months to last through cold and flu season," said a buyer for a Washington chain. "The endcap displays a variety of products, nasal sprays, inhalers and cold products." The endcap featured a number of Vicks products this year. He said Vicks Cherry Nyquil had particularly strong sales after its introduction.

Alka Seltzer Plus Night Time, introduced this year, was also frequently mentioned as a product that enjoyed a healthy consumer demand.

Crossover common

Crossover usage of allergy and cough/cold products also contributed to overall growth of the category. The separation of products used to treat allergies and those used to treat cough/cold is becoming blurred as more products designed to treat allergies are being used by consumers to relieve stuffiness and runny nose symptoms common to colds and flus.

Eli Cohen, president of Duane Reade said that the New York-based chain witnessed "a tremendous growth in sales of allergy medications in August through September," when pollen counts soared.

Cohen believes that some of that volume was due to allergy medications purchased for use to relieve cold and flu symptoms. Duane Reade expects cough/cold products to enjoy reasonable growth during the remainder of the cold/flu season.

Ibuprofens drove the analgesics market in 1987. Studies contending that use of aspirin reduces the risk of a second heart attack contributed to the growth of aspirin products.

Analgesics are no headache, thanks to ibuprofen

The overall aging of the population, an increase in self-medication, and the high cost of health care contribute to growth in analgesics sales

Ibuprofen products continued to be a significant factor in the steady growth of the analgesics market during the past year, and are expected to help continue to drive sales of that category up in 1988.

Since ibuprofen was approved by the FDA two years ago for over-the-counter sale, the analgesics category has continued to grow with the introduction of new brand and private label ibuprofen products and the expansion of existing branded analgesic product lines.

A total of 22 percent of the buyers surveyed in a recent *Drug Store News* poll cited analgesics as a "hot" product category in 1987, with sales expected to increase by over 12 percent in 1988.

Still, some regional chains report that although the analgesics market grew steadily during 1987, the growth rate is minor compared to the growth experienced in the category directly after OTC ibuprofens were introduced. "The introduction of ibuprofen two years ago started the growth and the comeback of aspirin-free products," said Eli Cohen, president of Duane Reade, a New York-based chain. "The category will continue to grow, but I would not say that growth has been substantial this year."

Lori Shaheen, a buyer for the Perry chain, disagreed with *Drug Store News'* findings. She felt that not enough new analgesics were introduced to warrant labeling the category as "hot."

Other retailers though, cited the overall aging of the population, an increase in self-medication and the high cost of professional health care as major factors contributing to the growth of the analgesics category.

Tim Bayer, a buyer for Medicine Shoppe, reported that the analgesic market was the strongest category in 1987 for his chain, with ibuprofen products leading the way. In particular, Medicine Shoppe's private label ibuprofen sold very well this past year, according to Bayer.

Private label ibuprofen pain relievers were also added to analgesics inventories by Medi-Save, a Louisiana-based chain, and in North Carolina by Kerr Drug.

Kerr's private label was introduced recently, said buyer Page Ilderton. "We expect strong sales, but it is too early to tell at this point," she said.

"All ibuprofen products did well in 1987," said a buyer for a Michigan chain. "We added new products to expand categories and we've seen a rash of ibuprofens marketed to special segments, such as analgesics positioned to relieve menstrual cramps. We have responded by giving consumers a much broader choice in the ibuprofen-based pain reliever category."

Last year, Bristol-Myers expanded its ibuprofen product line with the introduction of Nuprin caplets. As a result, sales of Nuprin rose at Kerr, according to Ilderton, although Whitehall Labs' Advil remained the number one seller. In Maryland, Dart Drug took advantage of Nuprin's new product launch by giving it front-page play on advertising inserts.

To accommodate the growth of the analgesic market at Kerr, Ilderton increased floor space and phased out other analgesics product lines. Medicine Shoppe increased shelf space devoted to analgesics by 10 percent this past year.

Shelf space was expanded at a Michigan-based chain as well. Buyers at the chain cut back on aspirin and non-aspirin products.

According to Pipeline Research, a marketing research company, ibuprofens grew 54 percent in 1987 at the apparent expense of extra-strength aspirin and acetaminophen products; each experienced a drop of 2 percent in their growth rates.

"I would say that ibuprofens are growing most rapidly and demanding more shelf space," said one buyer, "while aspirin is holding its own. Growth and sales are fair for non-aspirin products other than ibuprofens."

Although the survey of buyers placed analgesics near the bottom of their hottest product category list, Dilip Sedani, buyer for Hook-SupeRx, put the analgesics category at the top of his list.

According to Sedani, analgesics grabbed the chain's largest share of the OTC market sales. Sedani said that ibuprofens had the steadiest growth, but aspirin sales still accounted for the highest dollar volume.

"With the manufacturers making claims that taking aspirin reduces the risk of a second heart attack and launching campaigns to educate the public on new indications for aspirin, the category should grow," said Sedani.

In the non-aspirin category, sales of Tylenol products remained strong in 1987. Sedani said that acetaminophens did well, and identified Tylenol as the number one product in that area.

McNeil Labs introduced Children's Grape-Flavored Tylenol in chewable form last August based on research which showed grape to be the most favored flavor among children. Although the product had strong sales since September, Perry's Lori Shaheen said that sales of the product have not surpassed Children's Fruit-Flavored Tylenol, a chewable product which has remained number one, according to Sheehan, in the children's analgesics market since Schering-Plough phased out its St. Joseph's children's aspirin.

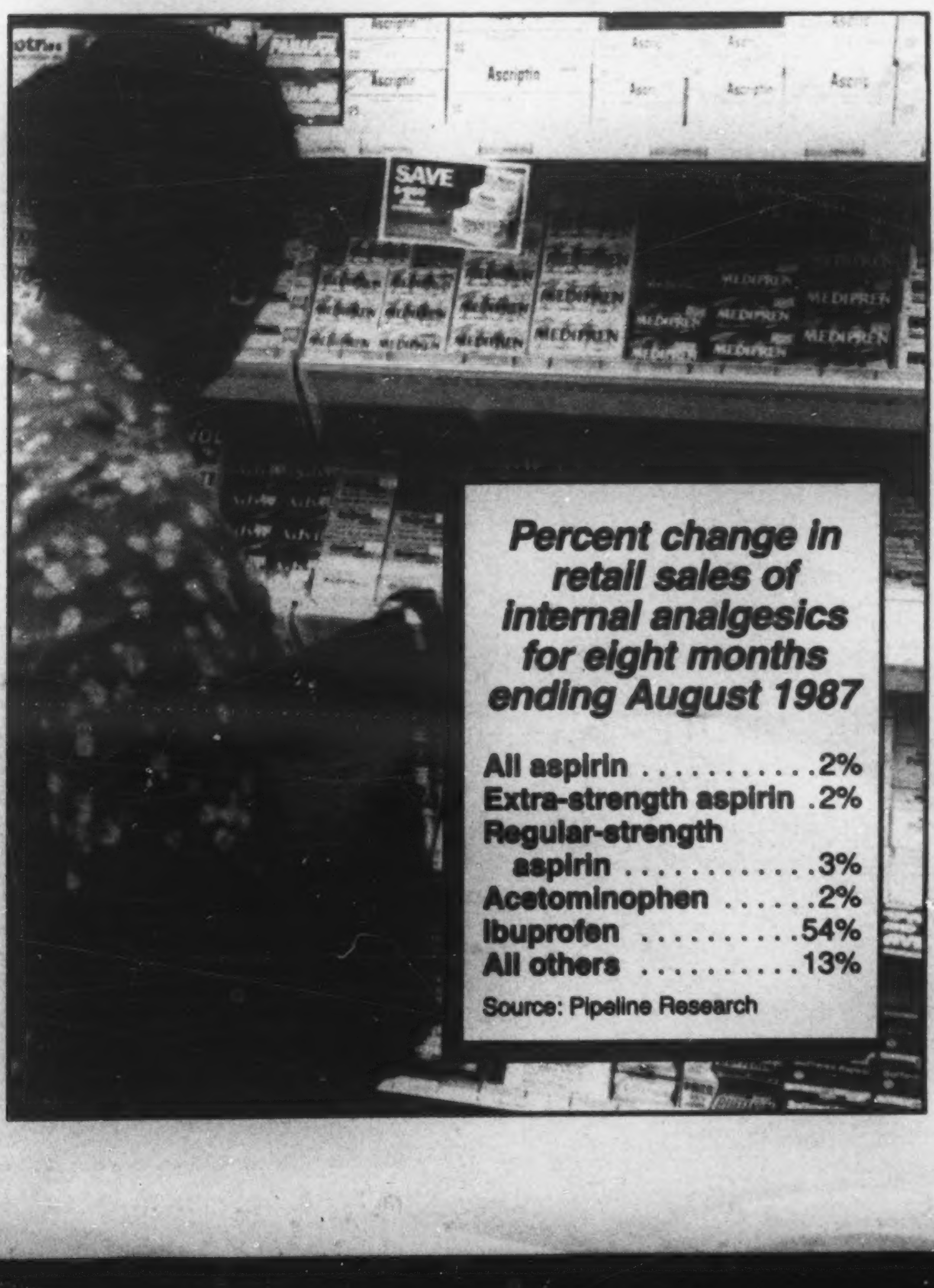
The product was withdrawn in 1986 as a response to concern over aspirin's link to Reye's Syndrome in children. Schering-Plough continues to market St. Joseph's aspirin for adults.

The firm plans to re-enter the children's market with the introduction of non-aspirin products in 1988.

22% of the retail drug merchants surveyed by Drug Store News said that analgesics would be one of the hottest merchandising categories in 1988.

Analgesic sales should increase 12.3% in 1988, according to retail drug merchants.

Source: Lebhar-Friedman research



Percent change in retail sales of internal analgesics for eight months ending August 1987

All aspirin	2%
Extra-strength aspirin	2%
Regular-strength aspirin	3%
Acetominophen	2%
Ibuprofen	54%
All others	13%

Source: Pipeline Research

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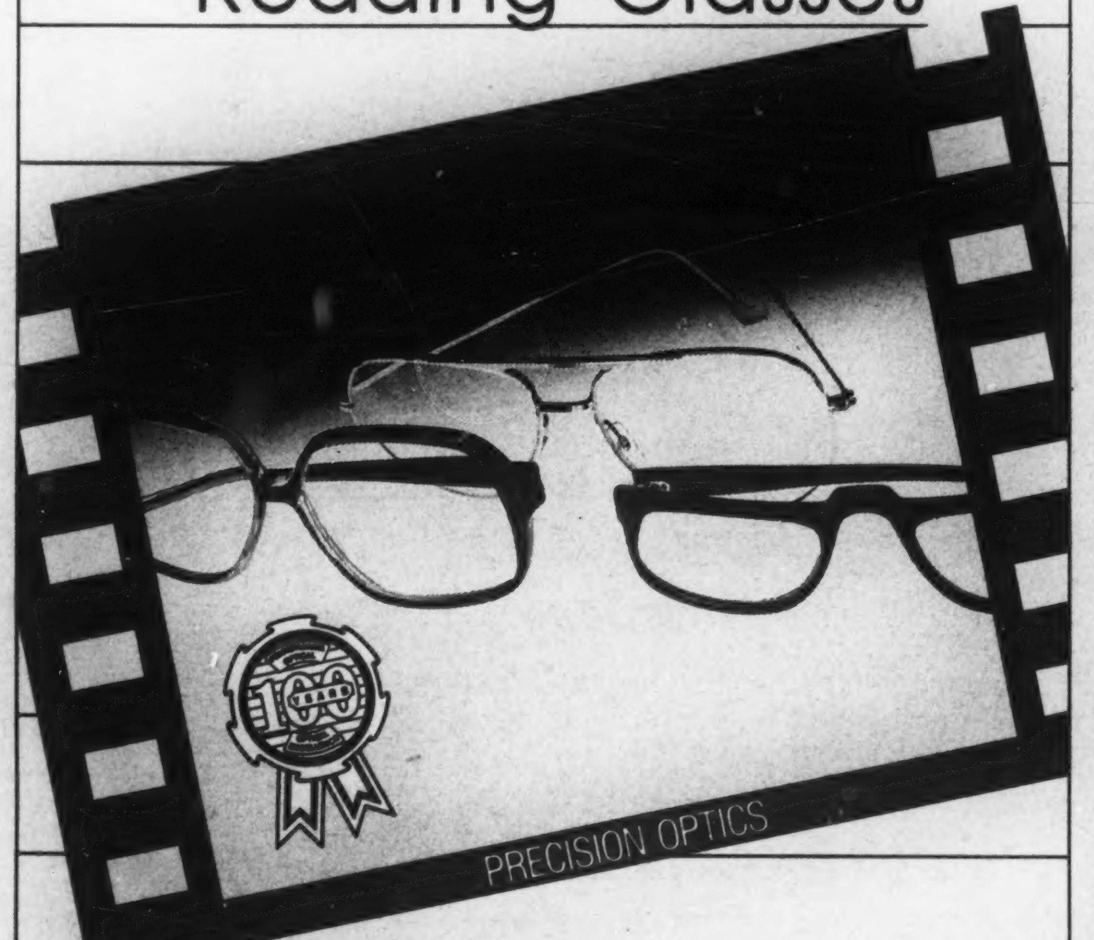

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Baby boomers eye mid-life through OTC reading glasses

Beginning at age 40, a lot of people start having trouble reading fine print.

The condition is called presbyopia, an elasticity loss in the lens of the eye. Its prevalence among members of the aging baby boom generation has helped boost retail sales of non-prescription reading glasses to $100 million-plus in 1987.

The over-40 target audience numbered 87.4 million in 1985 and is projected to be 118 million by the year 2000.

Although pioneered by Pennsylvania Optical about a century ago, the category has taken off in the past decade, as states overturned laws preventing the sale of over-the-counter reading glasses. Now, only two states—New York and Rhode Island—still have such laws on the books.

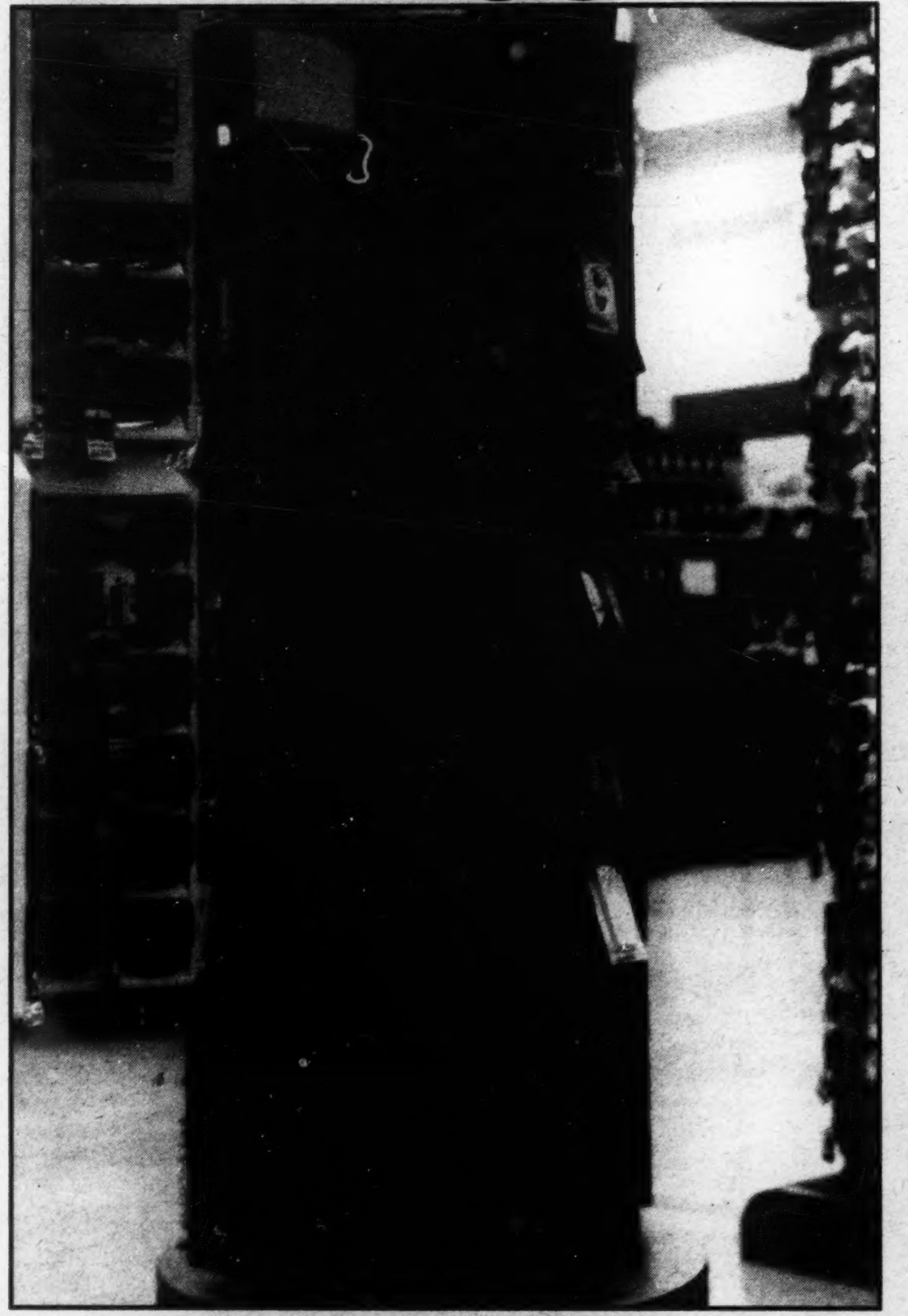
Retail merchants named OTC reading glasses as one of the hot categories of 1987. They projected that sales would increase by as much as 32 percent in '88.

And no wonder:

- They're cheaper than prescription. OTC glasses range from about $12-$15, whereas prescription reading glasses can cost three to four times that much.
- Many people don't need custom-ground prescription lenses. OTC reading glasses are essentially framed magnifying glasses at different strengths.
- Consumers like to buy spare pairs: "They lose 'em, sit on 'em, keep a pair in the car and another in the knitting bag—lots of people buy two pairs," noted one drug store buyer.
- Consumers know they're widely available through mass merchandise outlets.

Some chain buyers find reading glasses earn a high-traffic location in their stores; others locate them near the pharmacy, so pharmacists can advise on focus power or help reduce pilferage.

Rite Aid, which has carried reading glasses for about three years, switched a year-and-a-half-ago from a counter display at the pharmacy to a freestanding rack up front, near sunglasses and checkout. Now, "We can't keep them in stock," said buyer Irv Trionfo. "We do three times as much volume." He estimated the category turns about seven times a year, and sales increased 15 percent in 1987 over 1986.



Reading glasses often find a home near pharmacy, as in Rx Place's North Brunswick, N.J., store.

Depending on the store, Alabama-based Harco locates reading glasses at the front end or, more often, close to pharmacy at the back, near a checkout. About a year-and-a-half-ago, the chain changed to a larger rack—144 items versus 96 previously. Buyer Russ McKee estimated the category generates four-and-a-half turns a year and said sales increased 50 percent in '86 over '85.

22% of retail drug merchants surveyed say reading glasses was one of the hottest categories in 1987.

Retail drug merchants surveyed expect reading glasses sales to increase an average 32.3% in '88.

Source: Lebhar-Friedman research

McKee says reading glasses shouldn't be merchandised with sunglasses because they are different kinds of products.

Pilferage is a consideration in merchandising reading glasses at K&B in Louisiana, which uses double racks in some stores. Stores have the option of locating reading glasses on the high-traffic center aisle, but usually, "We put them back near pharmacy, for better control of pilferage. They're a very liftable item," said buyer Stan Bevis.

At Pay 'n Save in Seattle, reading glasses "do quite well" near pharmacy, said buyer Carol Legg. They were moved there from the camera counter a few years ago. Legg reorders every two to three weeks.

Vendors' efforts to heighten awareness and understanding of the product have been a major factor in the category's growth. They provide informational pamphlets with their displays and work with retailers regionally and locally to support reading glasses as a safe, economical solution for people having trouble reading small print.

Most vendors offer a variety of optical frame styles and fashion colors, as well as approximately nine focus powers, labelled by diopter power or other measurement systems. Displays usually also include accessories and hand-held magnifiers.

Harco promotes reading glasses every 60 to 90 days in fliers mailed to homes and offers discounts about four times a year. "We reduce price on coupon, or offer 'Buy one pair, get another for $2,' " said Harco's McKee.

K&B promotes reading glasses six times a year through circulars and coupon books, sometimes offering them at $7.77 with rebate, according to Bevis.

Rite Aid doesn't advertise or promote, but regularly discounts reading glasses on the rack, offering a $12 pair for $7.99 and a $15 pair for $9.99, Trionfo said.

Pay 'n Save advertises the category once a quarter. In its coupon book mailed right after Thanksgiving, the chain offered 40 percent off any pair or accessory.

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DRUG STORE NEWS®

Vol. 10/No. 2 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. January 18, 1988

SupeRx is off to the races

By Bruce Buckley

PHOENIX—SupeRx, the 50-store drug chain based here, will unveil a new racetrack format this month as part of its effort to increase its store base, sharpen its marketing focus, and build sales.

The 8,700-square-foot pro-

See **Racetrack,** *page 57*

Phoenix-based SupeRx Corp. is investing heavily in store upgrading and customer services.

Revco exec sweep fills three top slots

Dayton Hudson vets join Sells

By James Frederick

TWINSBURG, Ohio — In the latest stages of a sweeping overhaul of its top management team, Revco D.S. has inducted three more experienced retail executives to fill high-level posts in marketing, distribution and merchandising.

Two of the new appointees built their careers at Dayton Hudson, the diversified retail giant from which Boake Sells came to Revco as chief executive early last fall.

The new Sells management team now in place at Revco hails in large part from a broad background in retailing—far broader

See **Revco,** *page 57*

Mickey Kole quick-exits Perry

Albertson's Gary Allen fills Detroit vice president slot

'Big ship' weathers first year-end loss

PONTIAC, Mich — Perry Drugs expects its broad reorganization moves of the past year to pay off in 1988, after a first-ever, year-end loss set back 1987 recovery efforts.

"We're a big ship; it takes time to turn it around," said Berl Falbaum, Perry's vp-communications, after the company report-

See **'Big Ship',** *page 57*

PONTIAC, Mich. — Mickey Kole, a key figure in the growth of Perry Drug Stores from a single store to a multi-state retail power, has left the company unexpectedly to "pursue other business interests," according to Perry. He has been replaced as group vice president for Detroit-area drug stores by Gary Allen; a 15-year veteran of the Albertson's supermarket and combo store chain.

Kole's sudden resignation after a 30-year career with Perry reflects the intensity of the philosophical and structural changes underway at the troubled drug and auto parts chain.

See **Kole,** *page 57*

Perry Drug at year-end

(fiscal years ending Oct. 31)

	1987	1986
Sales	$726	$648
Drug store sales	550	487
Net loss	7.9	5.9[1]
Loss per share	0.79	0.59[2]
No. of drug stores	222	203
Auto parts stores	247	226
Home health businesses	9	8

Sales and earnings (except per-share figures) in millions

[1] Earnings [2] Earnings per share

(Source: Company reports)

Cautious buying gives chains a merry little Christmas

By Dave Vaczek

NEW YORK — Drug store chains had themselves a merry little Christmas.

Stirred up if not overly shaken by the restless stock market and uncertain local economies, gift-buying consumers were receptive to drug chains' value-postured seasonal mixes.

Christmas season sales increased an average of 9 percent from last year for drug chains nationwide that were surveyed by *Drug Store News*.

"It was a drug store Christmas," said Frank Gable, Harco Drug's director of merchandise.

"People thought the economy was tightening up, so they went to drug stores for last minute purchases; and that's our business," said Gable.

Agreed Ira Shain, president of Associated Chain Drug Stores: "It was a fairly good season, and the chains got what they expected."

Drug chains' seasonal percentage sales increases topped those of department stores and discount stores, which had been pegged in the 5 to 6 percent range for the five weeks preceding Christmas Day.

Chain drug growth was driven by sales of basic drug items, such as cosmetics and fragrances, and key seasonal commodities, as well as by pharmacy, drug spokespersons said.

"Early indications show very good Christmas sales, with good sell-through of seasonal merchandise, such as trim-a-tree and gift wrap," said Walgreens' spokesperson Maryellen Kari. Wal-

Continued on page 3

LATE NEWS

- LANDOVER, Md. — Fred Edwards, former senior vp-marketing at Peoples Drugs, was named senior executive vp at Dart Drug, said Sheldon Fantle, Dart's chairman and ceo. Edwards will report to Jeffrey Fantle, president and coo.

  In other appointments that Fantle said complete Dart's senior management staffing, George Loney has been named cfo, Louis Schechter as senior vp-marketing, Michael Lewis as vp-operations, and Caroline Morse, vp-administration.

- DEERFIELD, Ill. — Walgreens said its running sales for the four months ending Dec. 31 (including unreported first quarter results) were $1.69 billion, up 15.1 percent from the comparable period in 1986. The chain's sales for the calendar year 1987 were $4.5 billion, up 16 percent.

- RALEIGH, N. C. — Johnny B. Kerr was promoted to the presidency of the 82-store Kerr Drug Stores chain Jan. 1. The former executive vp continues to report to chairman and ceo Banks Kerr, who relinquished the title of president.

Walgreen plugs into checkstand scanning

WIN targets Ft. Wayne, Ind., area

DEERFIELD, Ill. — In the most advanced application yet of its Walgreen Information Network (WIN) store automation package, Walgreen Co. has begun rolling out checkstand scanning systems after a scanning test in its home Chicago market. The chain has targeted Ft. Wayne, Ind., for its first market-wide rollout by this spring.

The 1,400-store drug chain began installing scanners in Fort Wayne stores late last year, and is planning a chainwide rollout within the next four years. Originally, Walgreens had planned for a three-year rollout.

Walgreens will piggyback the new point-of-sale systems onto its WIN store computerization capabilities. WIN, which will use on-site microprocessors and terminals to link all stores, restaurants, of-

See **Walgreens,** *page 57*

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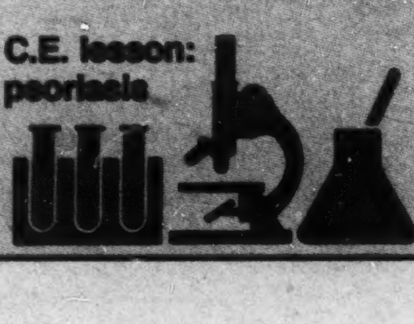

NEWS IN BRIEF

Sells and Fantle named to NACDS board

NEW YORK — Boake A. Sells, chairman and ceo of Revco D.S., and Sheldon W. "Bud" Fantle, chairman and ceo of Dart Drug Stores, were elected to the NACDS board of directors. They are filling the unexpired terms of the late Harry Levin, founder of Happy Harry's in Delaware, and Sidney Dworkin, former Revco chairman. The terms expire April 15, when board elections will be held for three-year terms.

Sells, former president and chief operations officer of Dayton Hudson Corp., joined Revco in October. Fantle, who served as NACDS chairman in 1980-1981 and on the association's board from 1975 to 1987, purchased Dart Drug Stores in November, after resigning his position as chairman of Peoples Drug Stores.

Fay's names four board members

LIVERPOOL, N.Y. — Fay's board of directors has elected four top Fay's Drug officers as members, filling vacancies.

Elected are Lawrence Rose, president and chief operations officer, John Kogut, senior vp-operations, Daniel O'Leary, vp-finance and cfo, and Warren Wolfson, vp-general counsel and secretary.

The assignments fill out a 13-member board, including Chairman Henry Panasci, Jr.

Co-op advertising takes the forefront

NEW YORK — Co-operative advertising will outpace other ad forms in 1988, according to Pinpoint Marketing, Inc., a company that develops cost-shared ad programs involving manufacturers and retailers.

Co-op ad spending will grow 11 percent to $8.88 billion, compared with 8.9 percent growth of all media used in local advertising, according to Arnold Ferber, Pinpoint's president.

An uncertain economy promotes co-op fund use, Ferber argues, and the number of vendors with co-op ad programs should increase to 5,000 this year, compared with 3,500 in 1985.

Florida 5 percent service tax repealed

TALLAHASSEE, Fla. — Responding to massive opposition led by branded goods manufacturers, trade associations, advertising agencies, lawyers, and others, Florida's legislature in December repealed its controversial 5 percent tax on services and advertising. The law makers replaced it with a 1 percent sales tax increase (to 6 percent) effective Jan. 1, 1988.

The service taxes' enactment sparked widespread cancellations of advertising and conventions that threatened the loss of millions of dollars in revenues.

Control Data acquires SAMI/Burke

MINNEAPOLIS — Control Data Corp., the $3.3 billion computer manufacturer, has purchased SAMI/Burke, the Cincinnati-based market research organization, from Time, Inc. Terms called for an initial $60 million cash payment, and additional payouts based on SAMI/Burke's revenue growth.

SAMI/Burke offers a wide range of data bases and market research services, including product tracking, market modeling, and custom surveys.

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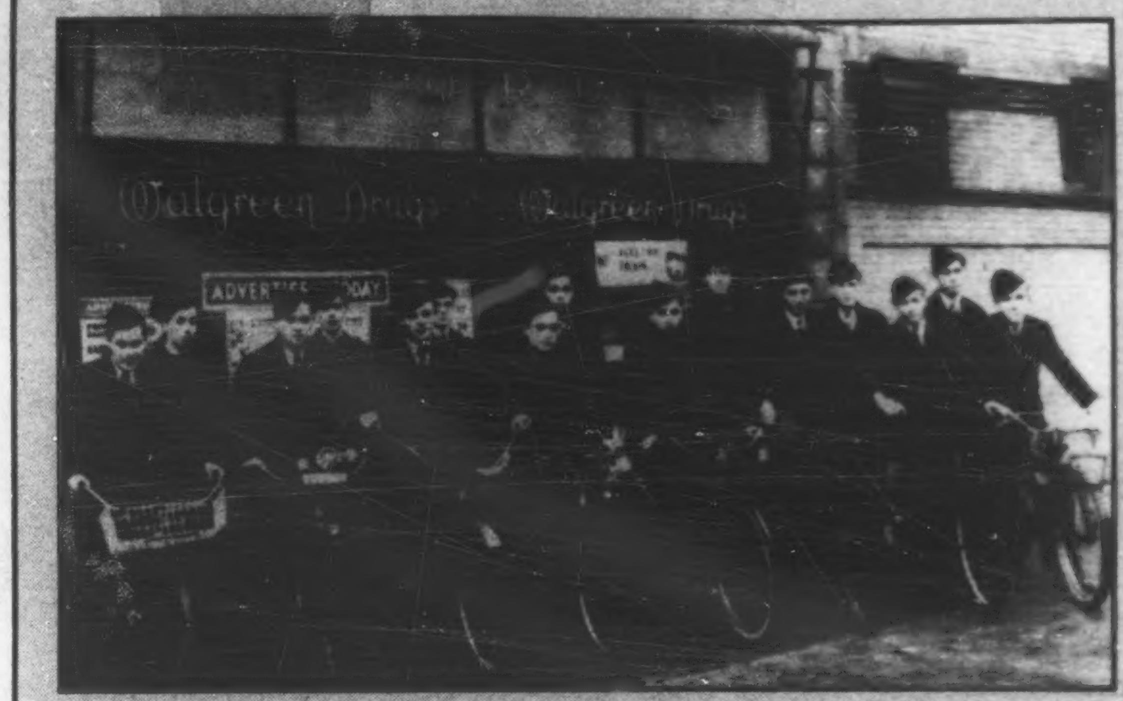
Vol. 10, No. 2 January 18, 1988



60 years of drug store retailing

One of a series of stories, pictures and nostalgia trivia quizzes celebrating Drug Store News' *60th anniversary year.*

No, they weren't young soldiers going to war on bicycles. They're Walgreens delivery boys on Chicago's South Side in 1939, a time when war was already raging in Europe and when some drug chains were still willing to offer a service like delivering prescriptions and sundry merchandise to valued customers. Note the ad in Walgreens' window: A special on electric train sets at $10 each.

Grass's Farm Fresh plans will show after February 1

NORFOLK, Va. — Rite Aid chairman Alex Grass and his family can buy up to 10 percent of Farm Fresh common stock or offer to acquire all the company's stock after Feb. 1.

That's the essence of a confidentiality agreement reached Dec. 24 between Farm Fresh and the Grass family. If the Grasses don't choose one of these options, they are barred for two years from increasing their stake above 10 percent of the ownership of the company. As part of the agreement, Farm Fresh furnished the Grasses with confidential information about the company.

The Grass family holds 7.1 percent of Farm Fresh's common stock and indicated in September an interest in a possible acquisition of the 114-store chain, some 44 of whose supermarkets include pharmacies.

The family requested the information to "further assess the situation at Farm Fresh," Grass told *Drug Store News*. "We're examining it."

Alex Grass recently reiterated that the family's interest in Farm Fresh is as a personal investment: "We don't ever see any Rite Aid involvement."

An agreement to provide the confidential data resulted from a Dec. 17 meeting, requested by Farm Fresh chairman David Furman, which Grass, his son Martin, and Furman and other Farm Fresh representatives attended.

At the meeting, Furman told the Grasses that Farm Fresh's board of directors had formed a special committee of independent directors to consider any proposals concerning a "business combination transaction."

He also expressed interest in pursuing discussions about a possible negotiated acquisition that "could include the participation of the company's [Farm Fresh's] management," according to an amendment, filed with the Securities and Exchange Commission Dec. 24, to a 13D SEC filing in September.

On Dec. 29, Farm Fresh closed at $12 on OTC-NASDAQ, up $2.125. At press time on Jan. 5, the company closed at 11¾. Farm Fresh has about 13.4 million shares outstanding.

Cullum buys Safeway DC to consolidate distribution

DALLAS — Cullum Cos. has acquired Safeway Stores' former distribution center in Garland, Texas, marking the end of Safeway's presence in the Dallas market. Purchase price was not disclosed.

The huge, 1.2-million-square-foot center served several hundred Safeways in Dallas, El Paso and other markets, prior to the supermarket chain's departure from Texas. Cullum, parent company of Tom Thumb supermarkets and Page Drug, also purchased 10 former Safeway stores in Dallas last spring when Safeway pulled out of that market, converting them to supermarkets and food/drug combos.

With the purchase, Cullum nearly doubles its warehouse capacity and provides a solid platform for what managers say will be a major expansion drive in future years.

The chain will continue to occupy its current general offices and distribution center in North Dallas, but six satellite warehouses now in use will be phased out and consolidated at the Garland location.

"This consolidation and expansion of our distribution activities will add significantly to the efficiency of our total operation, enabling us to achieve lower costs that will result in lower retail prices," explained Cullum chairman and ceo Jack Evans.

"This former Safeway facility is in excellent condition and is in a prime location that fits our operation very well," Evans added. "The cost is much lower than we could build such a center for today, and it is large enough to serve our needs for a number of years in the future. We believe it will be a catalyst for increased growth."

The center will serve Cullum outlets in north, central and east Texas, as well as supplying food products to Cullum's new Hypermart USA Stores division, a joint venture between Cullum and Wal-Mart Stores.

The first Hypermart opened in December in Garland.

Drug Store News gains two new editors

Drug Store News welcomes two new staffers, Barbara White and Teddi Scrofani, who have joined our editorial team.

Barbara White, the new assistant pharmacy editor of *Inside Pharmacy*, was previously an account executive in the healthcare and biotechnology division of Fleishman-Hillard public relations.

White

Scrofani

White also worked at the Leukemia Society of America as national editor, internal communications, covering medical issues, after earning a journalism degree at Rutgers University.

Teddi Scrofani, desk editor for *Drug Store News* and *Inside Pharmacy*, was most recently a financial rewriter for Moody's Investors Service. She earned a journalism degree from Baruch College CUNY, and has worked as an assistant editor at Citicorp Retail Services.

Some buyers unhappy with OTC rep service

Many independent pharmacists are getting shortchanged when it comes to being called on by manufacturer representatives of over-the-counter products during the course of a year.

And, while the majority of chain buyers are satisfied with the number of visits by reps overall, many are not particularly happy with the information being provided with each visit.

An exclusive nationwide Lebhar-Friedman Research study commissioned by *Drug Store News* of OTC buyers at chain and independent drug operations uncovered that a third of the independents polled said they would like more frequent visits from OTC manufacturer reps compared with chains, where only 3 percent of the buyers requested more frequent visits.

Overall, the study showed that 80 percent of the independents are currently seeing OTC reps at an interval of at least twice a year, compared to all the chain buyers reporting they see an OTC rep at least twice a year.

But even though the reps are not making enough visits to satisfy some independents, the majority of independents as well as the chain buyers polled said they wouldn't have it any other way.

The survey revealed that 70 percent of the buyers (73 percent for chains, 67 percent for independents) said that visits from manufacturers' reps were their preference for receiving information for OTC products.

Other methods of receiving information include telemarketing and a combination of visits and telemarketing.

Telemarketing

Next to visits alone, telemarketing was the next most desired means of getting OTC product information. Twenty-three percent of the chain buyers and 20 percent of the independents said they would consider this method of receiving information if visits were not possible. Least desirable for both the chains and independents was the use of telemarketing alone. Only 3 percent of the chain buyers and 10 percent of the independents said this was a desirable method of receiving information.

Many of the buyers interviewed said that "face to face" contact was an important ingredient in doing business with any representative. As one New York chain buyer put it, "I hate telephone calls because they are untimely. . .you can't make good decisions. I like to spend the time and deal face to face."

Another New York chain executive said that there is "no relationship with phone calls. [It] has to be more than a cold phone call. . .a lot of information is needed to order merchandise."

One Louisiana chain buyer said that a combination of telephone calls and personal visits would be best for him.

"The sales people have a lot of information and can help with returns which would be difficult over the phone. But, because I like to know about new products three or four months in advance, I think telemarketing can fill that need."

Basically, the buyers summed up the downside of telemarketing by pointing out two major disadvantages. They said that telemarketing was too disruptive, and that telemarketers have very little knowledge of the product they are selling, therefore making it impossible to ask questions. As one N.Y. independent commented "Telemarketers' knowledge of the product is nil. . .they know only what they are told to read to you over the phone."

But one South Dakota buyer said that telemarketing was the best for him. "I don't always have time to talk to reps. Telemarketing is a good alternative."

When it came to ranking services provided by OTC manufacturer reps, there was some disparity between what chain buyers and indepen

Continued on p. IP21

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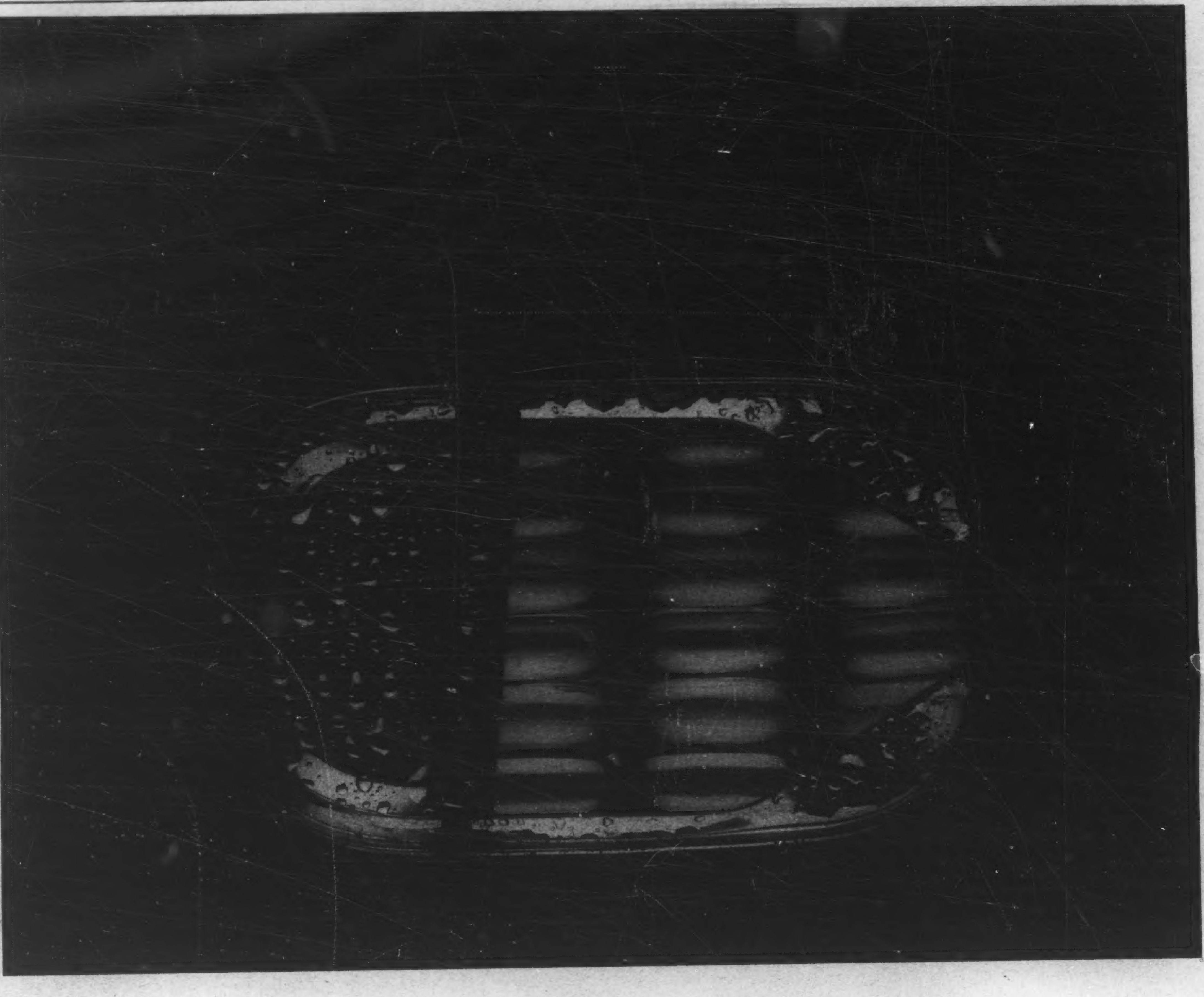

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PROMEGA
PROMEGA PEARLS
PROMEGA

1. OTCs retail pharmacists recommend in 50 categories. *Pharm Times*, 1987. 2. Nielsen Marketing Research: Fish oil supplements—consumer sales. Report to Warner-Lambert Consumer Health Products Division on Fish Oil Supplements Through September 1, 1987.
PARKE-DAVIS
Consumer Health Products Group
Leaders in Heart Health Care
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More omega-3...cholesterol-free
Also available as 600-mg Pearls
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OTC buyers polled

Continued from p. IP9

dents thought important.

Topping the chain buyers' list of "very important" services provided by OTC product reps was invoice dating (83 percent said this is very important). Some of the other pieces of information buyers considered very important included, in descending order, obtaining information about new products (77 percent), return goods policy and co-op advertising (73 percent), upcoming consumer ad campaigns and promotions and display allowances (63 percent).

For the independents, return goods policy was on the top of their list (87 percent thought this service was very important) followed by obtaining new product info (77 percent) and upcoming consumer ad campaigns and promotions (50 percent).

Low levels of satisfaction

Although the majority of the chain buyers thought invoice dating was the most important piece of information they could get out of a visit with an OTC rep, only a little over a third (36 percent) said they were "very satisfied" with the information they received. The only areas that chain buyers said the OTC reps were doing a particularly good job in was information on consumer rebate programs (considered very important by less than a third of the chain buyers interviewed) and obtaining information about market share (considered very important by 27 percent of the chain buyers).

The story was even worse with the independents. Although 87 percent of the independents interviewed said that return goods was uppermost in their list of very important services, only 19 percent reported they were satisfied with the information they were receiving in that area. Again, like with the chains, the only area the independents reported a satisfactory rating was in obtaining information about market share (considered important by only a 13 percent sample of the independents).

New product intros

When buyers were asked what factors were most important in making a decision whether or not to buy a new product, 87 percent of the chain buyers said off-invoice allowance was most important to them, while 80 percent of the independents cited the availability of the product as their most important decision-making factor.

Some other factors that both considered very important, in descending order, were return goods policy, consumer requests for the product, uniqueness of the product and dollars budgeted for consumer advertising.

Least important to the buyers were the suggested retail price and number of SKUs.

Since an earlier survey conducted by *Drug Store News* revealed that buyers considered condoms as the hottest merchandising category for 1988 *(see Jan. 4 issue)*, in this survey they were asked why they would carry one brand of condoms over another.

More than three-quarters (78 percent) of the buyers (chain and independents combined) said that product quality was top on their list. Some other "very important" factors included consumer requests and the company's return goods policy.

Of least importance in purchasing condoms was number of skus, detailed information about the product and uniqueness of the product.

When the buyers were asked where they merchandise condoms, over half (53 percent) said the pharmacy department. Other areas that condoms were merchandised were in the feminine hygiene section, at the front checkout, in the cosmetics section, family planning, and health (more prevalent in chain stores than independents) and the health and beauty aids section (more prevalent in independents than chains).

Just under two-thirds of the buyers (63 percent) from both chains and independents said they carry most of the major brands and sizes available to give shoppers a variety of selections. A third said they carry at least three to five brands in the major OTC categories, and a very small percentage (three percent) said they only carry the number one and number two brands in most OTC categories.

Pricing strategies

Almost half of the buyers (45 percent) said they stay competitive on pricing with other drug stores in their market. Only 20 percent said they rely on sales and low promotional prices rather than everyday prices to bring shoppers into their stores.

A full service, full price orientation was more common among independents, with almost a third (30 percent) of that group claiming they charge full price for their OTC products compared to only 7 percent of the chains. But more chains than independents rely more on everyday low prices with little or no advertised sales (23 percent, chains; 10 percent, indys).

Half the buyers reported that sales of OTC products have risen approximately 10 percent over the last two years. Only four percent (only independents) reported that prices have decreased over the last two years.

Many buyers attributed higher OTC dollar volume to advertising efforts. While advertising of OTC products was more prevalent at the chains than independents, both said that they were on some kind of advertising schedule for these products.

Sixty percent of the chain buyers said they advertise OTC products once or twice a week, while only 20 percent of the independents said they advertised that frequently. In contrast, 40 percent of the independents said they advertised OTC products once or twice a month, and 37 percent said they advertise less than once a month (compared to 30 percent and 10 percent respectively for the chains).

But advertising wasn't the only factor responsible for higher OTC sales. One Florida independent claimed it was because of the "growing economy and growing community around our store." A New York independent said sales were higher "because of manufacturers' support and consumer product identification."

Other common reasons offered by buyers for higher OTC sales include planogramming, inflation, self-care, and faith in their pharmacists.

Overall, the increase in OTC sales has been reflected by an increase in space allocation in most drugs stores. Sixty-three percent of the chain buyers surveyed said they increased store space allotted to OTC products by nearly 10 percent, while 30 percent of the independents reported the same increases. OTC selling space now averages approximately 21 percent of total space in chain drug stores compared to 27 percent in independent drug stores.

Current and desired frequency of seeing OTC reps

	Total		Chain		Independent	
	Current	Desired	Current	Desired	Current	Desired
More than once a month	32%	30%	37%	40%	27%	20%
Once a month–	40	42	50	44	30	40
Once every 2-6 months	18	23	13	13	23	23
Once every 7-11 months	2	2	—	—	3	3
Once a year	5	2	—	—	10	3
Less than once a year	3	2	—	3	7	—

Note: Percentages do not add to 100% due to rounding

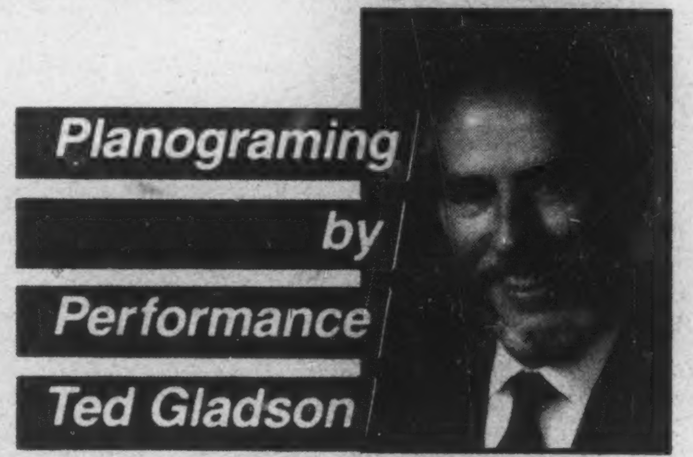
Source: Lebhar-Friedman Research

Buyers rate services offered by OTC representatives

	Percent of respondents rating this service as "very important"		Percent of respondents who are "very satisfied" with this service	
	Chains	Independents	Chains	Independents
Return goods policy	73%	87%	46%	19%
Obtaining information about new products	77	77	35	39
Invoice dating	83	47	36	43
Upcoming consumer advertising campaigns and promotions	63	50	26	40
Co-op advertising	73	30	36	11
Display allowances	63	33	32	20
Obtaining information about product movement	43	37	39	27
Consumer rebate program	30	30	67	44
Display materials	20	33	33	20
Planogramming	27	23	25	14
Obtaining information about market share	27	13	50	50

Source: Lebhar-Friedman Research

AIDS has made condoms a hot category for growth



The condom category was all but forgotten in drug stores for many years. Sales were comparatively slow, condoms weren't advertised in routine promotions, and there was little new product activity.

The impact of AIDS and other sexually-transmitted diseases has made condoms a hot growth segment. Thus, retailers must carefully look over this category in terms of space allocation and the number of SKUs that must be carried.

Manufacturers who weren't in the business until recent times have introduced new products. Among these are Mentor, Today and Koromex. In addition, there are several brands to consider that had limited distribution in drug stores, such as LifeStyles by Ansell and Protex.

This poses a great opportunity for chain drug store operators, who can benefit from efforts by these manufacturers,

Continued on page IP22

This feature on condoms is the latest in the series of Planograming by Performance articles.

The series is written exclusively for Drug Store News *by Ted Gladson, president of Gladson & Associates, a Chicago-based marketing and merchandising company.*

Product placement shown in the photograph on the following page is based on a full year of drug store product movement information supplied exclusively to Drug Store News *by IMS America, Wayne, N.J.*

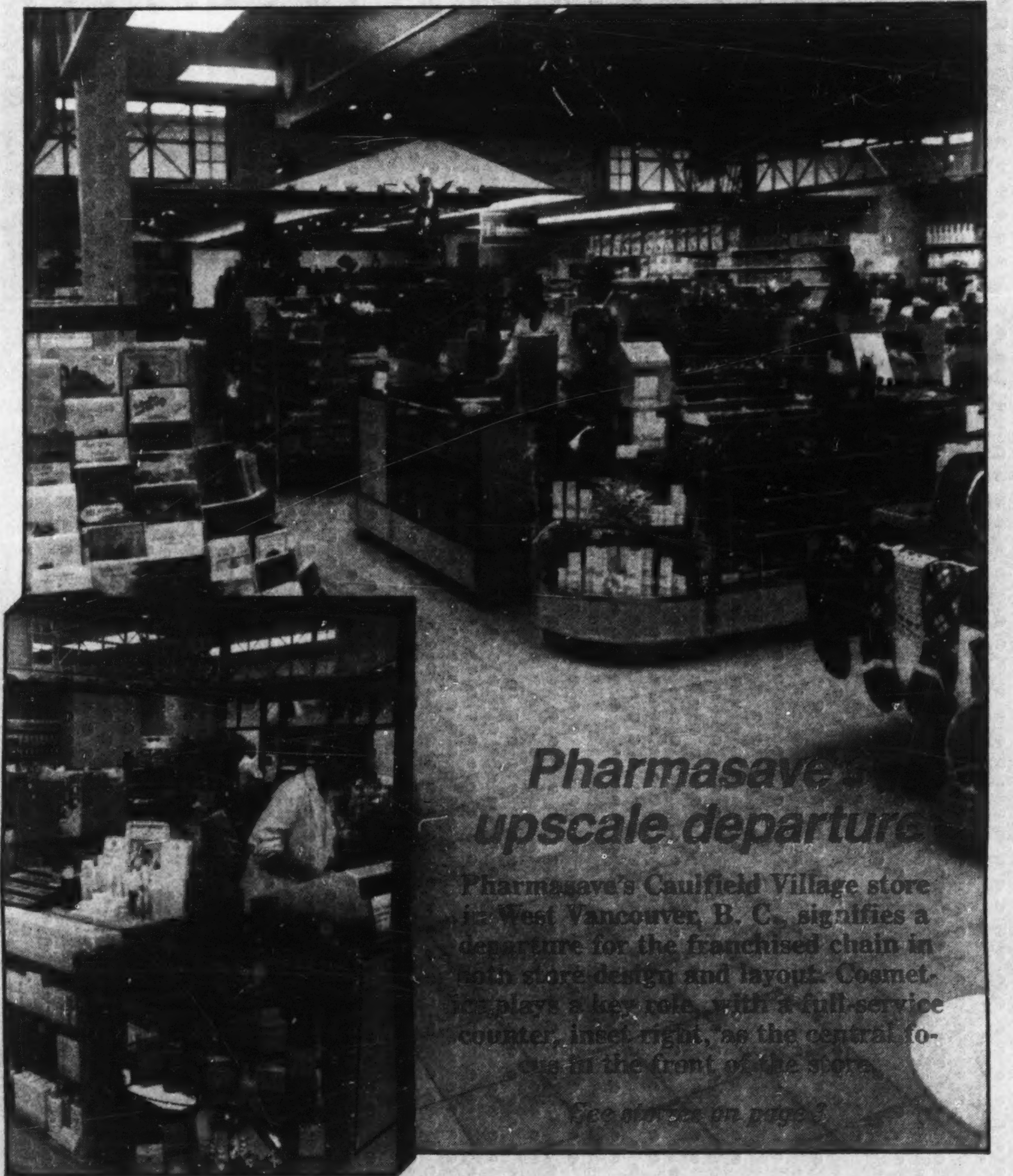
Moisturizers pace skin care segment
— Page 11

Rx'er with AIDS fights for his job
— Page 35

C. E. Lesson: Vaginal infections
— Page 41

DRUG STORE NEWS®

Vol. 10/No. 3 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Feb. 1, 1988



Pharmasave's upscale departure

Pharmasave's Caulfield Village store in West Vancouver, B. C., signifies a departure for the franchised chain in both store design and layout. Cosmetics plays a key role, with a full-service counter, inset right, as the central focus in the front of the store.

See stories on page 3

SupeRx bids $12.3M for Begley shares

Plans growth for troubled chain

By Dave Vaczek

PHOENIX — SupeRx Corp. has made a cash tender offer for all of the outstanding common shares of the Begley Co., SupeRx announced.

Through its division, S&B Acquisition Corp., SupeRx offered $18.50 a share, worth $12.3 million if all 665,000 outstanding shares are tendered.

The 51-store chain said it has already lined up agreements to buy about 16.8 percent of shares of the Kentucky drug store and dry cleaning company, including agreements to

See **SupeRx**, *page 45*

Begley at a glance

(Six months ended 9/30/87)	
Sales	$36.6 million
Net loss	($275,537)
Drug stores	45
Dry cleaning stores	137
Home health care stores	6
(Twelve months ended 3/31/87)	
Sales	$72.97 million
Earnings	$24,120

Source: Company reports

Pay 'n Save is not for sale; will achieve net worth goals

SEATTLE — Pay 'n Save vice chairman and ceo Gerald Nathanson flatly denied published trade press reports that the debt-burdened chain is on the auction block. He said further he hasn't received purchase offers from any parties.

"I have never ever had one moment's conversation with First Pacific Holdings. I have no idea who they are. That's just totally false," Nathanson said, referring to a company that was reported to have a deep interest in the 107-store chain.

He also said that Pay 'n Save wasn't seeking a buyer, as was also reported.

Moreover, Pay 'n Save will beat a

See **Alternate**, *page 45*

Walgreens plans to boost capital spending 30 percent

By James Frederick

CHICAGO — Shrugging off an uncertain economy, Walgreen Co. will maintain its drive to boost market share coast to coast with new stores, expensive new technology and an aggressive store modernization program.

See related story on page 2

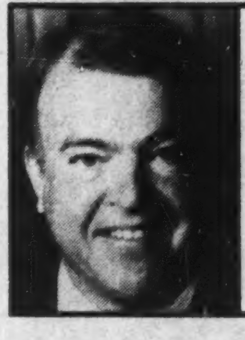
To support those efforts, the nation's most profitable drug chain will boost capital spending 30 percent this year, to $160 million.

At the company's packed annual shareholders' meeting here Jan. 13, chairman and chief executive Charles Walgreen III predicted the chain's blistering growth pace would continue. "We're growing across America," Walgreen told several hundred stockholders. "Our objective is to open 100 stores a year for the foreseeable future, and also pursue good acquisitions—ones that fit our growth strategy and store profile."

Those efforts would extend a three-year expansion program that has seen Walgreens add more than 400 stores—30 percent of its current store base of 1,375 units—and remodel well over 100 units a year. "Over the past five years, we've put over a half-billion dollars in Walgreen Co.," the chairman said.

"Those expenditures, and that store-opening pace, tell

See **Walgreens**, *page* 45



'We're growing across America. Our objective is to open 100 stores a year for the foreseeable future.'

Charles Walgreen III
Walgreen chairman and chief executive

LATE NEWS

- TWINSBURG, Ohio — Revco D.S. has appointed Robert J. Mandelbaum, 53, as vp-third party operations, reporting to Carl Bellini, executive vp of stores. He was director of third party programs at Walgreens. Also, Mo Aziz, 41, was named vp-financial controls.
- CHARLESTOWN, W. Va. — Drug Castle Franchises will enter this market next month with a 30,000-square-foot deep-discount drug store, bringing its store total to 10 franchised units in four scattered states. The chain also recently entered Akron, Ohio and Bayonet Point, Florida.
- RICHMOND, Va.— A sweetened offer by American Home Products for A. H. Robins has apparently won support of both shareholders and Dalkon Shield claimants, making it the offer most likely to be accepted.
- QUINCY, Mass.— At press time, Stop & Shop Cos. was planning its response to Dart Group's stated intention that it will buy a major stake and take over the corporation.

A peek at NACDS' small chain meeting

PHOENIX — The problems of finding and retaining store workers, and the impact of third-party programs, health maintenance organizations and mail order competition dominated conversation among executives attending the recent NACDS Small Chain Conference, held at The Pointe at Squaw Peak Resort Hotel here. This year's stated strategy for many in attendance: raising existing store profitability, instead of expansion.

NACDS and Perry Drug Stores chairman Jack Robinson with NACDS president Ron Ziegler.

Bill Eames, chairman of Bill's Drug, Lafayette, Calif., with Joe Decker, president of Richardson's Pharmacy, Ann Arbor, Mich., at session.

NEWS IN BRIEF

Medicine Shoppe gets larger quarters

ST. LOUIS — To accommodate its rapid growth as the nation's biggest drug store franchisor, Medicine Shoppe International has moved to a new, larger corporate headquarters in office space formerly occupied by Monsanto Co. The move more than doubles the company's headquarters space to 36,000 square feet, and gives the firm the rights to lease the rest of the building for a total of 54,000 square feet.

Medicine Shoppe ended fiscal 1987 with 698 franchised pharmacies, and plans to have 1,000 in operation by 1991. The chain, which opened 57 new outlets last year, achieved net earnings of $4.4 million on sales of $316 million in fiscal 1987. Same-store sales were up a brisk 15 percent.

Owens & Minor seeks listing on NYSE

RICHMOND, Va. — Owens & Minor, the pharmaceuticals and medical/surgical supplier, expects to move its common shares listings to the New York Stock Exchange by early February. The company shares are listed on OTC-NASDAQ under the symbol OBOD.

The company has also elected Hue Thomas III, 48, to the post of vp-distribution. He has served since 1985 as assistant vp, and earlier was vp-medical surgical division and manager of the Atlanta medical/surgical branch.

In addition, Richard Ciofani, 39, vp and cfo, was elected to the additional post of corporate secretary.

In a related announcement, Thomas E. Coulbourn, a 20-year company veteran who served as chief operations officer and most recently senior executive vp and a director, has resigned to pursue other opportunities.

Maxidrug names Kirk to replace Neville

WEST SPRINGFIELD, Mass. — Maxidrug, the U. S. division of Canada's Jean Coutu Group, has named Matthew Kirk as director of merchandising, according to Maxidrug president Michel Coutu.

Kirk was formerly a merchandising executive with Heartland Drug, a deep-discount operation now owned by CVS. At Maxidrug, he replaces George Neville, who left last summer.

"He will be a big plus for our company," Coutu said, citing his 19 years of experience in a deep-discount environment. "He knows that type of organization. Deep discounters are more aggressive and demand more entrepreneurial behavior," Coutu said, indicating that Maxidrug will become "more aggressive."

Harry Evans, Bartell Drug vet, dies Dec. 17

SEATTLE — Harry Evans, a 27-year veteran of Bartell Drug, died suddenly Dec. 17. He was a buyer of promotional and seasonal merchandise, and supervised the chain's photofinishing efforts.

Senior vp Val B. Storrs called Evans "responsible for many new and innovative programs which helped our company grow and prosper."

Pay Less NW targets Kent, Wash., site

KENT, Wash. — Pay Less NW has signed a lease to open a 23,707-square-foot store here, with a Super Safeway as a co-anchor. Population here is expected to grow by 75 percent by the year 2000, predominantly in family households.

Walgreens' earnings jump buoys its bullish outlook

CHICAGO — Walgreen Co. officials had something to celebrate at the annual meeting of shareholders here last month: a 42 percent jump in net earnings during the first quarter of fiscal 1988. The rebound in profits—after a year in which results were flattened by heavy expenditures and other factors—underscored a bullish assessment of the chain's future by chairman Charles Walgreen and president Fred Canning.

Net earnings for the quarter ended Nov. 30, 1987, reached a record $18.8 million, compared with year-ago earnings of $13.2 million. Sales were up 16.1 percent from last year's first quarter, to a record $1.11 billion.

Nevertheless, Walgreen told shareholders, "Our enthusiasm with that increase is tempered by the fact that these earnings got a big boost from lower income taxes this quarter. Plus, they also enjoyed a comparison with fiscal 1987's first quarter, which had to absorb Medi Mart start-up and renovation costs and the negative impact of the new tax law.

"So while we expect a good year in 1988, we're neither satisfied nor complacent about that 42 percent earnings increase," Walgreen continued. "We have plenty of challenges before us, including that of keeping profits up while increasing our promotional programs and sharpening our pricing strategies."

The chairman added that he tended to agree with a retail analyst, "when he said Walgreens will have the wind more in our face than at our back in the years ahead."

Despite continuing competitive challenges, a skittish economy and a 42 percent slide in the company's stock price last October, Walgreen presented an optimistic view of the firm's future. He also hinted that the company's price per share in the wake of Wall Street's crash was undervalued.

"Certainly the stock market has everyone a bit edgy. But overall, I think the signs are still bullish, especially for our kind of very basic retailing," he noted. "We've had four recessions since 1969. And Walgreens has outperformed both retailers in general—and our industry—in all four of them.

"Frankly, if the economy falters, I'd rather be selling Maalox and aspirin than fur coats and automobiles."

Walgreen based his optimism on several factors, including the aging of the population, the rising number of working women, the maturing of the baby boomers and the new baby boomlet. He also predicted new growth opportunities in efforts to market to the rapidly growing numbers of black, Hispanic and Asian consumers, all of whom the chain has made special efforts to reach.

"The point for retailers is: this country is not static or homogenized," he said. "It's changing constantly, continually providing new opportunities for the alert, aggressive merchandiser."

Another positive for Walgreens, its chairman said, was its strong presence in rapidly growing sunbelt markets like Florida and Arizona, and in resurgent older cities like St. Louis and Milwaukee. "Over the past 10 years, we've added 108 stores in the Sunshine State, where seven of our top 30 markets are located, and 30 stores in Arizona," Walgreen said. "We presently have 50 new locations under consideration in Florida, and 15 approved locations for Phoenix and Tucson. And let's not overlook the renewal going on in our older cities. . . we're there, too."

The Medi Mart acquisition, meanwhile, is "starting to pay off," Walgreen told stockholders. Some converted units are showing sales increases of 30 percent this year, he said, and at least 13 new stores are on the drawing board for northeastern markets. Among approved locations are five in New York, three each in New Jersey and Massachussets, and one each in Connecticut and New Hampshire.

"I'm pleased to report that sales in all five Northeast markets are running very strong, and will show solid improvement this year," he said.

Sixty years of drug store retailing

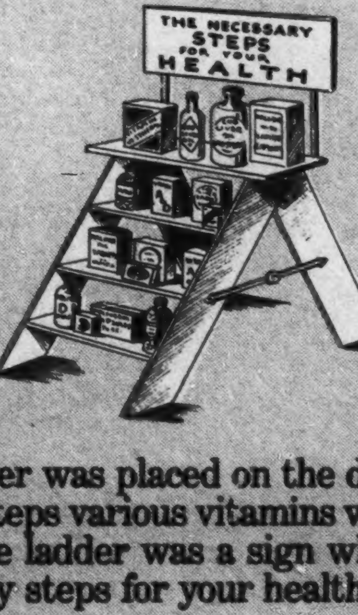
The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

NEW YORK CITY, 1928 — The drug store as a center of art and literature was emphasized last week in a series of displays that appeared in many of the Liggett stores in New York and nearby cities. One feature of the series was a window devoted to popular fiction. Shelves were built into the window, and set in neat rows were a large number of books of all types to serve the literary taste of most any kind of reader. A large sign stated that this great variety of books was being offered at the special sale price of 75 cents each item.

50 years ago

JAMAICA, N. Y., 1938 — Vitamin products were effectively displayed at the Whelan drug store, 159-29 Jamaica Ave., Jamaica, N. Y., where William Perrella is manager. A small stepladder was placed on the drug counter. Across its steps various vitamins were displayed. Above the ladder was a sign which read, "The necessary steps for your health."


THE NECESSARY STEPS FOR YOUR HEALTH

40 years ago

PENSACOLA, Fla., 1948 — A drug order in the amount of $1,800, believed to have been one of the largest ever sold over a drug store counter at one time, was given at a Walgreen Drug store by a customer in Pensacola, Fla.

The customer, doctor of an Italian merchant ship in port in Pensacola, more than bought out the store's entire stocks of penicillin, streptomycin and insulin. In addition, the magnitude of this order required the assistant store manager to telephone his New Orleans supplier for sufficient quantities to complete the purchase.

Within six hours, the order was delivered at the ship's dock to the physician, who was greatly pleased with Walgreen's "quick American service."

30 years ago

NEW ORLEANS, 1958 — For a few days in February, K&B. . .saw a drop in office efficiency, which we were told had nothing to do with the Mardi Gras, but rather with the first meaningful snow in over a generation. More time, we were told, was spent at windows than at desks.

20 years ago

WASHINGTON, 1968 — Peoples Drug in Washington, D. C., has begun to place micro-ovens in its fountains in an effort to speed stool turn, cut down on labor and standardize the portions served. The micro-oven works on a principle of ultra-sonic waves to heat the food. All the cook has to do is place the item in the oven and push a color-coded button. Items will be prepared within 120 seconds. Only the food is heated and the plate is left at room temperature. The portions are prepared at the commissary and shipped frozen to the stores.

10 years ago

CLEVELAND, 1978 — Revco D. S. will be opening its 1,000th store on Feb. 25 in Cleveland, Ohio. The 13,300-sq.-ft. unit is considerably larger than the chain's normal 8,400-sq.-ft. prototype, and it features a wider assortment of sundries. Television entertainer Danny Thomas will be on hand to cut the opening ribbon, after which he will place the first of 1,000 St. Jude cannisters which will be in all Revco stores for three months.

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Vol. 10, No. 3 Feb. 1, 1988

Anti-agers, light moisturizers pace skin care sales

According to buyers and merchandisers in chain drug stores, the skin treatment category generated flat to moderate growth in 1987, depending on the chain and market.

Some buyers said they averaged about a 5 percent to 7 percent increase in skin treatment sales in 1987. However, the majority say the category was flat or down slightly in their stores and only a few buyers report strong growth of about 15 percent.

Most buyers still report having a difficult job getting skin treatment to reach what they consider its "reasonably strong potential" in mass market drug stores.

Those who said their growth is either flat or marginal said it is because the franchised skin treatment lines need to be better "presold" by manufacturers like Revlon, Max Factor, Almay and Coty.

This was a particularly strong point from buyers whose stores don't have clerks who can help service customers interested in skin treatment regimes.

The chains that report a better growth pattern either have cosmeticians in their stores like Begley, Austin and Harco Drug or they have just finished resetting their skin care section, along with advertising skin treatment products more such as Perry Drug and Begley.

Across the country, most buyers are reporting strong surges in particular lines and brands, especially for the more upscale basic skin care lines like Lubriderm, Keri, Nivea and Neutrogena, as well as for many of the franchised lines including Almay, Revlon's new Anti-Aging Eye Gel, Revlon's Moon Drops and to a lesser degree, European Collagen, Coty's Overnight Success and Allercreme's treatment products.

Franchised treatments buyers are also very optimistic about Max Factor's Erace and Almay's new Stress Cream and Stress Gel, both now just entering the market.

Drug Store News will report in more depth about franchised treatments in the March 14th issue.

In the basic skin care departments which usually command between 12 and 16 feet in the toiletries sections of most chain drug stores, the growth seems to be coming from what buyers describe as their prestige or upscale brands, especially Lubriderm, Jergens and Keri and to a lesser extent, Curel.

In some sections of the country, buyers report that sales for Oil of Olay, the facial moisturizer with the dominant share of mass market retail category sales are off or down due to the introduction of new products and new brands like Neutrogena's Visage and Swedish Secret as well as to dramatic growth in the Lubriderm line.

Some buyers are also speculating that the price points on Oil of Olay may be too high now that there are so many competitive products entering the market. One buyer points out that Olay's popular 4-

Continued on page 16

Special projects editor Elizabeth Parks researched and wrote this issue's Trends *sections on skin care and sun care products.*

Women's concerns about skin dryness, aging lines, and sun damage are creating new sales opportunities for drug stores and other convenience-oriented mass retailers. Growth segments are light facial moisturizers and anti-aging lotions.

New Product Launch Chart: Skin Care

Manufacturer	Brand	Quarter of Launch Date	Comments
Anti-aging Lotions, Face Smoothers and Eye Creams			
Aziza	Aziza Eye Art: Conditioning Lash Primer and Retouch Cream Concealer with SPF 2	2nd '88	Two new eye care treatments; line extensions in relaunch of Aziza Eye Art line
Key West Aloe	Eyemoist	1st '88	Eye skin moisturizer to minimize wrinkling
Noxell	Cover Girl	1st '88	Line extensions: Replenishing Eye Cream, Invisible Line Eye Cream, Extremely Gentle Oil-Free Remover Pads, Clean Eyes Conditioning Eye Makeup Remover
Max Factor	Erase Line Filler Instant Eye Make-Up Remover Stick Hypo-Allergenic Eye Make-Up Remover Pads	1st '88 1st '88 1st '88	Fills in lines and conceals wrinkles to make skin look younger and smoother, four shades, SRP of $8.50 First remover in stick form For sensitive eyes
Almay	Stress Cream and Stress Eye Gel	1st '88	Eases away tightness, fine lines and surface signs of tension caused by dehydration
Scotia Serum Corp.	Silk Serum 2-ounce wrinkle cream; 4-ounce body lotion	in test	Diminishes the appearance of aging and makes skin smoother and younger looking
Freeman	Fabulous Eyes Moisturizing emollient; Make Up Remover Gel	4th '87	Reduces puffiness, bag and circles around the eyes
Revlon	Anti-Aging Firming Eye Gel	4th '87	Retexturizes the skin and reduces signs of aging
Neutrogena	Neutrogena Eye Cream	3rd '87	Neutrogena's first treatment specific product for the face: minimizes and smooths away fine lines
Coty	Overnight Success Instant Face Smoother and Refining Cream Gentle Eye Make-Up Remover	3rd '87 3rd '87	Smooths and rejuvenates Gentle, leaves no oily residue
Chattem	Cornsilk Oil-Absorbent Concealer	4th '87	Line extension
Franchised Treatments			
Colgate	Lournay	1st '88	Major launch: seven SKU line for sensitive skin at moderate prices

Manufacturer	Brand	Quarter of Launch Date	Comments
Mass Prestige Treatments			
Freeman	Sea Mist	4th '87	Treatment line to moisturize and revitalize the skin. Also includes products for hair and bath
Allure	Motown	3rd '87	Skin care and cosmetics line
Moisturizing Lotions, Creams and Cleansers			
Chesebrough-Ponds	Vaseline Intensive Care	1st '88	Line extension: menthol and zincoxide formula for sensitive skin
Rich-Vicks	Wondra	1st '88	Repackaging and restaging plus line extensions; New Deep Moisture Care in two formulas
S. C. Johnson	Curel Fragrance Free for Sensitive Skin Soft Sense Body Mousse	1st '88 2nd '87	Line extension Line extension
Westwood	Moisturel Cream Alpha Keri Moisturizing Spray	1st '88 1st '88	Line extension Non-aerosol version of Keri Oil
3M	Buf-Puf Daily Cleanser with Microbead Capsules	1st '88	Line's first cleanser. Beads condition as they deep-clean; cream and gel formulas
General Therapeutics	Queen Helene trial-size lotions	1st '88	Line extension
Beiersdorf	Nivea Visage	3rd '87	Facial moisturizing lotion and cream
Neutrogena	Norwegian Formula Emulsion	3rd '87	Line extension
Wellington Laboratories	T'rific for Teens and T'rific for Tots	1st '88	Pure and natural skin care lines for 9- to 17-year-olds and babies Through 8 years
Acne and Other Treatments			
Glenbrook	Stri-Dex Big Pads	2nd '88	Line extension
Neutrogena	Extra Mild Acne Skin Cleanser	4th '87	Line extension
Almay	Touch-On Blemish Treatment	4th '87	Almay's first anti-blemish treatment product
Bath Products			
Beirersdorf	Nivea Bath Silk	in test	Three SKUs: gels and bath oils
Colonia	4711 Ritual du Bain	3rd '87	"Premium" line of bath and body products. Extension of 195-year-old 4711 cologne line

Source: *Drug Store News survey*

Sun care product sales still shine on drug chains

The majority of drug chains are still reporting strong growth in the sun care category.

Most buyers still say their strongest growth is coming from the higher SPF products, generally those with SPFs of 15 and more.

However, buyers also say their tanning products continue to sell well and continue to represent the biggest segment of the sun care market.

In 1987, many drug chain sun care buyers began thinking of, or actually implementing, permanent year-round displays for the faster moving sun care brands.

Buyers say they think a permanent year-round display for sun care is justified by a number of factors, including increased health concerns about possible sun damage and aging, and the fact that people travel more today as well as ski, and they need protection and tanning products to help them cope with their new mobility.

In Alabama where there is a strong market for sun care products, sun care buyer Penny Wade reports excellent growth in category sales last season. She estimates total category sales were up 10 to 15 percent while high SPF product sales were up even more dramatically.

Wade says Harco has traditionally merchandised sun care in the center seasonal aisle, in floor displays and on endcaps during the peak selling season, but now she is thinking of using at least one endcap for permanent year round distribution of select major sun care brands.

Surf City
Sun Lotion

With people travelling more than ever, many buyers are turning to year-round displays of sun protection products.

"Sun, and in fact all skin products, are very much a growth factor in the South," said Wade. "People in the South are much more sensitive to skin damage and to the fact that the sun is drying out their skin."

This year, Wade is also thinking of setting up a prepack display of Eclipse's Cancer Garde near the Harco pharmacies.

"Our pharmacists are very alert to the dangers of sun damage," she said. "Also, Eclipse has done a good job of detailing the dermatologists and the physicians in our area, and as a result, our pharmacists get a lot of calls from patients for Cancer Garde.

"Last year, Wade said, "we had trouble getting Cancer Garde in our stores for the peak selling season, but I was astonished when I walked into some of our stores and found the individual pharmacists had taken the initiative and gotten some Cancer Garde from wholesalers, and they were displaying it right in the pharmacy.

"This year, I'll probably order the entire Eclipse line and I'll recommended we merchandise it at the pharmacy."

Wade says Harco will also feature the entire Eclipse line including their new Child Garde in their Memorial Day ads.

Harco has a section in their ads which is called "Harco Pharmacists Recommend." In each ad, that section features a particular seasonal product recommendation.

"We'll run Cancer Garde early," said Wade, "so people who want to tan can start off by building up to a safe tan and people who want to avoid the sun can have an idea of what's right to buy."

In addition to Cancer Garde, Wade says she also did exceptionally well last year with Coppertone's Water Babies and with the extra Bain de Soleil line.

A novelty item called Banana Boats also sold well in Harco stores as did the colorized zinc oxides.

Wade, however, was careful about how she ordered the zincs and she says that helped her sell-throughs.

"We have about 10 stores in beach areas on the Gulf and we ordered a lot for those stores, and it all sold through fabulously. But I ordered much lighter for the rest of our stores, and I think that's why we had a good sell-through."

One of Wade's major priorities for 1988 is to weed out slow turners and "duplications" in the sun care category.

"The category doesn't need so many SPF's," Wade says. "I get confused and so do my shoppers. What is the difference between an SPF of 22 and an SPF of 25? Do I need a 22 in my store when I have a 25? Given the choice between a 15 and a 22, I think most shoppers will buy a 22. Given the choice between a 22 and a 25, they'll buy 25.

"But at what point is enough enough? Do people really need a 35 if that means you have to stay out in the sun 35 times more than normal before your skin burns? Who's going to stay out that long?"

Wade says she will probably stock all of the new major brand high SPF's now in the market, but she may cut back on her selection of zero to low SPF's and especially on any SKU that doesn't turn well.

The tan accelerator category has also slowed down for Harco. "People who bought them, I think," Wade said, "were looking for a miracle and it just didn't happen.

Continued on page 18

New Product Launch Chart: Sun Care

Manufacturer	Brand	Quarter of launch date	Comments
Max Factor	Sun Smart	2nd '88	New facial cosmetic line with SPF 6
Rich-Vicks	Bain de Soleil	1st '88	Spray Tanning Lotions, SPF 2 & 4; Supreme Sun Block Creme SPF 30
Carme	Mill Creek	1st '88	Tanning Accelerator and Mineral Water Aloe Vera Spray
Chattem	Bullfrog	1st '88	Line extensions: SPF 9, SPF 36, plus 2-ounce size of original SPF 18
Plough	Super Shade Coppertone	1st '88	Line extension: SPF 30-Plus, "all-day protection". First SPF product to use a range rather than a single number to identify degree of protection
	Tropical Blend 4-Hour Lotion with SPF 15	1st '88	Line extension
	Coppertone Sunless Tanning Lotion	1st '88	New segment: Gives color without sun exposure
	Water Babies SPF 25	1st '88	Line extension
	Water Babies Swimmers Ear Prevention Formula	1st '88	Line extension
	Solarcaine Pure Aloe Formula	1st '88	Line extension
	Coppertone Natural Tan Accelerator Sunscreen	in test	Combination tan accelerator and sunscreen to give "maximum tan with minimum exposure"
Tanning Research	Hawaiian Tropic	1st '88	New packaging for SPFs 6-30
	Hawaiian Tropic Swim & Sun Collection	1st '88	Brands for sun protection
	Ozone Sunblocks	1st '88	Brands for sun protection
	Baby Faces & Tender Places	1st '88	Reformulated, PABA-free
	Hawaiian Tropic 15-Plus Sunblock Lotion	1st '88	Line extension
	Hawaiian Tropic Sunscreen Lotion SPF 10	1st '88	Line extension
	Hawaiian Tropic Aloe PABA Sunscreen Cream	1st '88	Line extension
	Hawaiian Tropic Protective Tanning Lotion	1st '88	Line extension
	Hawaiian Tropic Protective Tanning Dry Oil	1st '88	Line extension
Westwood	Presun for Kids SPF 29	1st '88	Line extension
Manhattan Ice	Le Zinc	1st '88	Line extension: Sunscreen lotions; "Sorbet" color collection Lip Zincs
TI Pharmaceuticals	TI-Screen 30-Plus Moisturizing Lotion	1st '88	Line extension
Beiersdorf	Nivea Sun SPF 25	4th '87	Line extension
Key West Aloe	Sunsorb	4th '87	Reformulated, SPF 22
	Grab-A-Tan	4th '87	Line extensions: SPF 6 & 10 creams, SPF 4 lotion
Eclipse Labs	Child Garde SPF 20 & 30	4th '87	Extension of Cancer Garde line
	Eclipse PABA SPF 25 lotion	4th '87	Line extension
	Cancer Garde	4th '87	Line extension
	Solar Block for sun-sensitive areas		
Bonne Bell	Team Colors	3rd '87	Line extension: zinc oxides in football team colors
Neutrogena	Sun Screen SPF 0 to 25	3rd '87	Neutrogena's first sun care product
California Sun	Sun Sponge	3rd '87	Suncare liquid-filled sponge for convenient applications
Sunhopper, Inc.	Sunhopper Suntan Oil Towelettes SPF 5 & 15	3rd '87	Individually-wrapped towelettes filled with filled with suntan oil
Allure Cosmetics	Allure Tan	3rd '87	New line of tanning and protection products
Sun Labs Int'l	Banana Boat Waterproof Lotions	3rd '87	Line extension
Caribe Suncare	Gorilla Grease SPF 18	3rd '87	Waterproof sunblock
	Caribe lotions	3rd '87	Line extension of seven new SKUs: Lip Screen SPF 25, Super Aqua Screen SPF 25, Sports Screen, Protective Dark Tanning Oil SPF 8, Pool 'n Sea Shampoo, Baby Screen SPF 20, Face Screen SPF 18

Source: *Drug Store News survey*

Skin care product sales up slightly

Continued from page 11

ounce size normally retails for about $6 in his stores while the 16 ounce Lubriderm normally retails for about $7.

Other buyers said Olay needs to advertise more and to get more "aggressive" with chain drug store promotions.

Photo: Irma Zandl

Emily, 15, of New York City, is a skin treatment user. Here she's wearing Aloe Moisturizer, having cleaned her skin with Camay soap. Emily buys her skin treatment products at Genovese Drug.

However, buyers who did do a lot of promotions with Olay in 1987 report that Olay's sales are still strong and even growing at a good rate. Lubriderm Keri, Swedish Secret, Visage and the others may be "taking some share from Olay," these buyers report, "but they're also expanding the prestige segment of the category at the same time."

SupeRx

At SupeRx Drug in Cincinnati, Dave Wesloh, the merchandise manager for cosmetics and H&BAs, said that skin care, both in mass toiletries and in franchised treatments is a "stagnant category."

"We've had no growth in that category for the past two to three years," Wesloh said, "and it's basically because there's nothing new and exciting in that category."

However, Wesloh, like many other retailers, said SupeRx is seeing growth in what he calls the "therapeutic" segment of toiletry skin care and what some other retailers call the "prestige or upscale mass segment."

"Lubriderm and Keri lotion are both doing very well for us," he said "In fact, these items grew two to three times faster last year than the category as a whole. Nivea and Neutrogena are also doing well."

Other major brands, however, are flat or down in SupeRx, including Wondra, Vaseline Intensive Lotion and Jergens lotions.

Future growth

In terms of the future, Wesloh thinks growth in the skin treatment category can only come from the introduction of "dramatically new and innovative products."

"You're not going to get any real growth by adding another fragrance or another lotion to your department," he said. "You need more things like the Revlon Anti-Aging gel, the Overnight Success line or like Lournay. That's what will drive this category."

Revlon just introduced its Anti-Aging Eye Gel, and most retailers report its success has been very strong, and also very strong is its predecessor, Anti-Aging Moisturizing Cream.

Wesloh said the anti-aging products are doing "very well" for SupeRx.

Now Max Factor is introducing a new wrinkle filler and smoother called Erace that Wesloh thinks will also do very well in drug stores. And, he's also pretty optimistic about Lournay.

Austin Drug

At Austin Drug in the Long Island, N.Y. market, Marty Millman who is the general buyer of all seasonal products including sun and mass skin care items, says his growth in skin care sales has basically been flat.

"The older customers worry about the skin, but it's still a limited market," he said. "The younger people are still thinking of looking beautiful and that means they buy more color and tanning products."

"Our best sellers have been Keri, Lubriderm and Neutrogena."

"Olay still accounts for a large portion of our business, but it has been losing share. I don't know why. It may be because of all the other new products and it may be partly because of price points.

"Customers can see they're spending about 50 cents for an ounce of Lubriderm and about $1.50 an ounce for Olay so it could be the pricing."

"Neutrogena is a good item too, but that's because so many dermatologists recommend it.

"Noxzema, on the other hand, is becoming more of a summer item. It's only on special once a year and it's always in the summer so people seem to be thinking of it more as a lotion to treat sun burns than as an all-around lotion or moisturizer," said Millman.

Austin has merchandised its mass skin care line in a basic 16-foot department for several years now, and Millman says he sees no reason to change the department or enlarge it.

"J&J came out with an unscented baby lotion and baby powder geared to adults a while ago and we added that to the department and it's done well," said Millman, "but other than that, there was really nothing innovative enough to justify more space."

Austin has advertised the department more regularly, however, especially with Keri and Lubriderm, and Millman said he would be interested in doing more advertising with any "manufacturer of a quality brand aggressive enough to want to do promotions with us."

However, Millman thinks that in a department as basic as skin care, variety of selection is as important as price and advertising.

"The discount stores in our market and the deep discounters like Rock Bottom can sometimes undercut me on pice especially on popular brands, but I think pricing is secondary to convenience.

"The customer who comes in my store and finds the size and scent they want will buy here even if my price is a little higher. They do it because they want the convenience of buying everything they need on one trip," Millman said.

Begley Drug

Possibly because Begley Drug has cosmeticians in all its stores, this chain has been able to generate fairly good growth in mass and franchised treatment sales in 1987 and is projecting even greater growth in franchised treatment for 1988.

Ralph Kinder, division merchandise manager for H&BAs and cosmetics, says that skin care sales have been growing steadily for Begley with the best growth in mass coming from the prestige or upscale brands.

"Oil of Olay did very well for us last year," he said. "Nivea's Visage also did well and so did Lubriderm. We've added another two SKUs of Lubriderm to our set for this year."

Right now, Begley has a 16-foot set for mass skin care. Begley has just issued a new skin care mass planogram which makes what Kinder calls "subtle modifications."

For example, they took the bath section, which had previously "floated" all around the Begley stores with no consistent permanent home, and gave it 6 feet adjacent to skin care as its permanent home.

"That gives us a one stop shopping environment," said Kinder, "Vaseline Moisture Bath is our best seller in that department, and now we have all the bath accessories right next to the lotions and moisturizers. Women use the products together so why not merchandise them together."

Begley also divided its skin set into three mini-sets: upscale skin treatment lines all together including Olay, Lubriderm, Keri, Nivea, Swedish Secret, Curel, etc.; basic or mass lines altogether including Vaseline Intensive Lotion, Noxzema, Jergens, Soft Sense, etc.; and the acne treatment creams altogether.

The new set has just been completed and is going into Begley stores this quarter. Kinder said he thinks sales in the department will increase at least 15 percent and may go up even higher as more new products launch and as Begley launches what will be more aggressive promotions with the category.

"For the past year, we've done a full program of promotions with Olay," he said, "and it paid off. Their sales have been very strong and we think it's helped the category grow."

New products like Visage have also helped. "Yes, maybe they took some share from Olay," said Kinder, "but Olay's sales are still increasing for us and we have the incremental sales from Visage as well."

Kinder says Begley hasn't always gotten behind its skin care lines with strong promotions. "Noxzema, for example," he says, "is a good line, but we're not doing what we should be doing with that line.

"We've pushed Noxzema in the summer, but not at other times of the year and maybe that was a mistake. We think more growth is possible in this line and we're going try to find it.

"Swedish Secret is doing well for us," said Kinder, "we're getting good reports from the stores, but we think more growth is possible and we're going to look for it here too."

Kinder reports that the discount store chains in his market, particularly Wal-Mart, are also getting very competitive with treatment items especially the popular brands like Olay, Lubriderm, Vaseline Intensive Lotion, etc.

"In some stores here, Wal-Mart has 16- to 24-foot skin care departments," Kinder reports, "and when they promote an item like Olay or Lubriderm, they build massive endcap displays in their stores so it really turns."

Competition has made it hard for Begley to make any money on their own Olay and Vaseline Intensive promotions, but part of the sting of that has been taken out by the launch of new lines and brands like Swedish Secret and Visage.

"One of the nice things about these brands," Kinder says, "is you can make money when you promote them. There's less banging heads with other retailers over these newer brands."

Perry Drug

In 1987, Perry Drug took all its franchised skin treatment lines with the exception of Almay amd moved them into the lotion section of its mass brand skin care set.

The change gives the larger Perry stores as much as 36 feet for skin care including six linear feet for franchised lines, 10

Continued on page 21

Skin care sales by main category segment

(Drugstore retail sales)

Segment*	Dollar sale (millions)	% change (8/87 vs. 8/86)
Face creams & lotions	$251.6	0.5%
Hand & body lotions	205.9	6.5
Sun tan lotions & oils**	147.4	6.8

*Top three skin care category segments which account for 70 percent of all drugstore retail skin care sales

**Includes sunscreens & sun blocks, but not after-sun care products

Source: Nielsen Marketing Research

Which research methodology do you agree with? Nielsen, or Pipeline?

Most drug store skin care buyers report their category sales were flat in 1987, and A. C. Nielsen would agree with them.

However, another market research company, Pipeline, which is a service of the Consumer Products Division of IMS, would not agree.

Pipeline, which uses a research methodology based on warehouse withdrawals, estimates the entire skin care category grew by 11.8 percent in drug stores for the eight months ending in August of 1987.

Nielsen Marketing Research, on the other hand, estimates that skin care sales in drug stores were up only 4.8 percent for the year ended last August, with most of the growth coming from the hand and body lotion segment and from sun care products which Nielsen includes in the overall skin care category.

Nielsen, which audits products actually on the shelves, reports that hand and body lotion sales in drug stores were up 6.5 percent for the year ended last August while sun care was up 6.8 percent. Nielsen says that facial creams and moisturizers were flat.

However, Pipeline, which only tracks movement through drug store warehouses, reports that all segments of skin care were up strongly for the first eight months of 1987. Pipeline says facial moistures grew by 12.2 percent; hand and body lotions by 12.2 percent, and sun care grew by 11 percent.

Nielsen does not include after-sun moisturizing products in their sun care sales estimates, but Pipeline does.

Drug stores continued to capture the dominant share of skin care sales in the mass market, but their share was down one point to 48.4 percent for 1987 versus 1986, according to Nielsen.

Category buyers attribute most of this slippage to more competitive activity in this category from mass merchandise and food chains. According to Nielsen, the mass merchandise chains like Wal-Mart and K mart picked up almost all of the share lost by drug chains in 1987.

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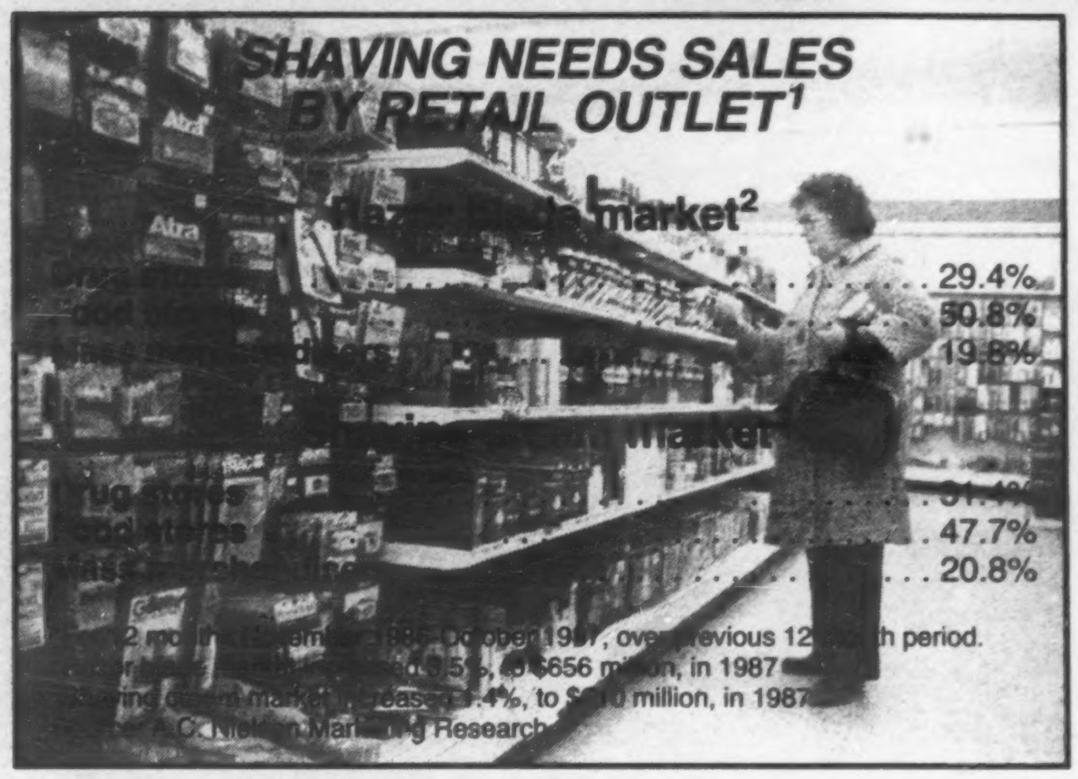
Disposables drive shaving's razors-blades segment

Although overall growth in the razors-blades category remains steady, if unspectacular, the meteoric growth of disposables over the past decade remains the bright spot.

Product proliferation, along with strong promotions, have fueled a growth rate of as much as 20 percent a year in disposables, so that disposables now represent in excess of 60 percent of the total market. Although vendors see continued advances in disposables, the pace is expected to be less dramatic in 1988.

"You'll see 5 to 10 percent growth; that's still good, in a relatively flat market," said Mike Merwin, marketing manager at Bic.

Among the major razors/blades players—Gillette, Bic, Wilkinson Sword and Schick—the trend is toward adding lubricating strips to lines. This year, for example, Schick is introducing Ultrex Plus and, for women, the New, Improved Personal Touch, both with lubricating strips, with no price change. "Our studies show consumers prefer a comfort strip," said Schick product manager Dennis Thompson.



In both razors/blades and shaving creams, vendors and retailers are finding the sensitive skin segment fertile for cultivation. Bic's Merwin cited a study of all men showing that 42 percent feel they have sensitive skin, and 51 percent of men with heavy beards have that perception.

"Sensitive skin is approaching the regular products in volume movement," one West Coast chain buyer said.

Wilkinson Sword claims its shave cream with Hyladerm, rolled out in August 1987, "goes further than ordinary sensitive skin products" toward lubricating and conditioning after as well as during shaving, said Jeff Avison, the company's director of marketing. Selling for about $2.25, "it's premium-priced for the mass market," Avison said, adding that hyaluronic acid is an expensive ingredient that may dampen competitors' interest in developing similar products. The company's second-flight advertising campaign, which starts this month, stresses radio spots during the "morning drive," when freshly shaved men are "experiencing the [sensitive skin] problem," Avison said.

Retailers contacted by *Drug Store News* say it's too early to tell the impact the cream will have, although Avison reported it's "doing very nicely" so far.

In shaving creams generally, several buyers said they expect gels to create news in '88, now that S. C. Johnson & Son's Edge, which enjoys exactly that in shaving gels, is off-patent. "We plan to launch a gel in 1988," confirmed Jim Anderson, senior vp and general manager at Leeming-Pacquin, maker of Barbasol. Some buyers predict Colgate will also introduce a gel this year, although this could not be confirmed.

Many chains favor razors and blades as checkstand impulse items [*See Drug Store News*' March 16, 1987 issue], while some, such as deep-discounter Rx Place, also promote shaving creams there.

In addition, Rx Place devotes 12 feet to shaving creams and equal space to razors/blades, opening up 4 more feet during special shave cream promotions, said buyer Bob Carlson. A large Southeastern-based chain has moved razors/blades to men's toiletries and is analyzing their current secondary location at checkstands; Genovese in New York and a large West Coast chain also cross-merchandise razors/blades at front-end and in men's toiletries.

While buyers differ on whether disposables have cut into brand loyalty in razors/blades, they tend to agree that shaving cream shoppers, although definite in foam or gel preference, are more fickle about brands. "Private-label and house brands take over from the more expensive brands when they're specially promoted and displayed," said a West Coast buyer.

"Price drives the shaving cream category a lot," said Genovese's Kevin McGivney, who added that "there's little loyalty in the low-priced segment."

Chains regularly promote shaving creams—a crowded field whose leaders include Gillette, Edge, Noxzema, Colgate-Palmolive, Barbasol, Carter-Wallace's Rise, Shulton's Old Spice, Mennen and Beecham's Williams brands.

Retailers find that sun care product sales shine year-round

Continued from page 12

"Now Coppertone has a new Sunless Tanning lotion on the market and I think that will sell very well. That could be this year's newest hot category."

Perry Drug

Perry Drug is also planning to put a small section of sun care brands into its stores on a year-round basis. Buyer Steve Lund says Perry should add the new department this spring, and it will go in the basic mass skin care department.

"We'll probably stock about 10 SKUs year-round," said Lund. "We'll use our movement numbers and maybe Nielsen to pick the top 10 sellers in lotions and protection. We'll probably give the section about 2 to 3 feet."

In the past, Perry has merchandised sun care in seasonal aisles and in prepack displays during the peak selling season. Once Perry has its permanent set for sun care, they will continue to merchandise a broader assortment of sun care items in the seasonal aisles during the peak selling season, says Lund.

Lund says his best sellers in this category last year were Coppertone's Water Babies, the Hawaiian Tropic line, J&J's Sun Down and Bain de Soliel.

The zinc oxides didn't do "real well" in Perry stores, Lund says. "They're more of a product for Florida, California and the warm weather states. They're basically not for our area."

Last year, Lund bought three lines of zincs. This year he says he may still buy one, but he hasn't made a final decision yet.

This year, Lund also says he's only going to bring in a select number of higher SPF's. "They are still a growth area," he says, "but there are also a lot of people, especially those 15 to 35 who want to tan, so we'll try to carry a reasonable but broad assortment."

Austin Drug

In the New York market, Marty Millman who buys sun care and other seasonal products also has created a permanent year-round department for best selling sun care brands.

Millman says it's "very low key," but it's there as a convenience to customers concerned about the sun or planning trips to warmer climates.

During the peak season, the category also gets displayed in the promotional aisles and on ends and displays.

Higher SPF's are generating the strongest category growth at Austin, but Millman says his tanning products are still turning well because "people still want to look like they have a tan."

He estimates that the entire sun care category grew about 15 percent in 1987. However, he says, "People are staying away from the very low SPF's, the zeros through four."

Like other sun care buyers, Millman worries that the current proliferation of high sun protectors in the market may eventually "confuse" the customer.

Sun care:
Growth brands in drug stores
% change, $
(Six months ending August 1987. Retail drugstore sales)
32

Source: Pipeline Research

"It even confuses me," he says. "I go into a store and I look at the 25's and the 39's and I think what's the difference between them. What's right for me? What do I need?"

However, Millman says that as long as he can return unsold products at the end of the season, he will continue to carry a full range of SPF's. "I'll bring it all in," he says, "and I'll let the customers decide what will sell."

In other segments of sun care, Millman said Austin didn't see much growth at all last year in either zinc oxides or tan accelerators.

"People today realize they have to be very careful what they use for tanning," he said, "and that seems to have affected the accelerator market. There's not much growth there, and the colorized zincs don't seem to be right for our market."

SupeRx

Dave Wesloh, the merchandise manager at SupeRx Drugs for cosmetics and toiletries, says 1987 was a "fantastic year" for sun care: sales were up 15 to 20 percent overall.

"What helped was the weather," he said, "and the fact that we were prepared this year. We increased our inventory levels in the store at the beginning of the year rather than wait for stores to reorder."

At peak times, SupeRx merchandises sun care in its seasonal areas on two ends in the store. This is the third year they've also had a permanent year-round department for sun care in the skin care section of the store.

SupeRx currently stocks about 11 SKUs year-round in about 2 to 3 linear feet. Some of last year's strong sellers were Water babies, Bull Frog, a water resistant gel with an SPF of 18, and the Coppertone low SPF lotions and oils. "That's a specialty item that did very well for us," said Wesloh.

High SPF's also sold well in SupeRx, but Wesloh says he still did a good strong business in low SPF tanning products.

Like many other drug store merchandisers, Wesloh was also concerned about the dramatic proliferation of SPF's of 20 and above.

"An SPF of 25 is plenty," he says, "anything else might be misleading to the consumer."

"After-sun moisturizing products are also getting stronger in SupeRx stores. Wesloh estimates their growth may have been up as much as 10 percent last year.

Some of his best sellers were the Bain de Soliel after-sun and the Caribe after-sun.

Begley Drug

At Begley Drug in Kentucky, Ralph Kinder, division merchandise manager for cosmetics and toiletries, says sun care grew about 15 to 20 percent last year, and this year Kinder expects the same or even stronger growth, primarily because of the influx of all the new higher SPF's.

Begley has always had a per-

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Yule cosmetics, fragrance sales reported 'sluggish'

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Cosmetic/fragrance buyers are telling *Drug Store News* that Christmas sales last year were just"sluggish to so-so."

At Eckerd Drug, senior cosmetics buyer Karen Durham reports that Christmas fragrance sales were "slow," but that most of the new men's fragrances did pretty well, particularly Night Spice, Iron and Dallas.

Xia Xiang performed below expectations, but Durhman felt it was because their ads were late in breaking in many of Eckerd's key markets.

Lady Stetson ads, however, "blitzed the market," and Durham reported that Lady Stetson sold "very, very well." So did Sand 'N Sable, which Durhan says is one of her best-selling fragrances.

Glorious did "okay," according to Durham, who also felt that Glorious didn't cannibalize Vanderbilt sales. "Glorious appears to be appealing to a different market," she said.

Primo sold well in Eckerd stores this Christmas, but the rest of the knock-off market was slow, according to Durham.

"Primo sales have even slowed down a little," she said, "but sales were so high when they peaked, that it will take a while before this particular brand really falls off, if it ever does.

"Primo, however, seems to have established itself as its own brand and not just as a Giorgio knockoff," Durham added.

In Alabama, Penny Wade, who buys fragrances for Harco Drug stores, reports that Xia Xiang sold very well in her stores, and that Charley and Jontue "continued strong."

Wade also says that Carrington did well. Iron was "middle of the road," Dallas wasn't in the Harco stores, and Glorious did "fairly well."

Wade also reports that all her eye shadow kits sold especially well this Christmas, but Maybelline and Cover Girl were the strongest of the mass brands.

Revlon's Christmas Kisses lipstick promotion also did well, Wade says.

In another major regional Southern chain, a buyer reports that Glorious sales "never really got off the ground," but that Vanderbilt continued to do very well.

Night Spice was "the best of the new men's fragrances" in this chain, and Iron and Dallas were "neck and neck" in sales, but the buyer says "neither was as great as I expected them to be."

This buyer also says she couldn't keep L'Oréal's new Lash Out mascaras in stock, and that Lee Press-On Nail sales also were strong.

Sculptured nails also did well in this chain both at Christmas and throughout the year.

The musk category has quieted down considerably for this chain, and despite Beecham's dramatic new "What is Sexy" ad campaign, Jovan Musk Christmas sales were down slightly from last year.

Stetson, Sand 'N Sable and Lady Stetson were all very strong for this chain, but Vanderbilt didn't do as well as last year.

Adidas sales were spotty for this chain last year, and the buyer says they were even softer this Christmas.

Iron slow in December

In Austin Drug in the New York market, cosmetic/fragrance buyer Marlene Isaacson says that Iron was slow right before Christmas, but did well as the season developed.

Dallas did not do as well, and Night Spice wasn't ordered.

In color cosmetics, all the new shades in the major lip and nail lines did well, and Lash Out did "very, very nicely." Maybelline's mascara also did exceptionally well, Isaacson said.

Austin also carries a wide range of prestige fragrances and at Christmas, sales were strong for Halston, Lauren, Chanel, Anais, Obsession, Opium, Drakkar, Poison and Shalimar.

In the more available mass prestige fragrances, Glorious, Xia Xiang and Emeraude did particulary well for Austin, Isaacson says.

In other Christmas categories, most buyers report that bath lines did okay, but the more expensive sets did not sell "particularly well."

Several buyers say that luxury soaps "were almost impossible to sell," but that potpourries and "hand-made items" sold very well.

Youth poll on skin care

In our Jan. 4 issue, the Beat launched a new reader service that we call "Youth Poll."

Youth Poll is a regular report on the results of a nationwide purchasing poll of consumers aged 12 to 24.

The poll is implemented several times a year by Irma Zandl, president of Extreme, Inc., a New York-based consulting company that monitors existing and emerging trends in the youth market.

According to Extreme's latest survey, the skin care categories that are purchased the most frequently by 12- to 24-year-olds include the following:

- Facial soaps: purchased by 64 percent of all girls and 35 percent of all boys;
- Moisturizers: purchased by 50 percent of all girls and 15 percent of all boys;
- Make-up removers: purchased by 42 percent of all girls. However, many girls also said they often used just bar soaps to remove make-up.
- Sun products: purchased by 45 percent of all girls and 45 percent of all boys. Slightly more than half of all girls use sun tanning products as opposed to sun protection products with SPF's of 10 and above.
- Astringents: Purchased by 33 percent of all girls and 10 percent of all boys.

The brands girls mentioned most often as personal favorites were Dove, Ivory and Clinique in bar soaps; and Keri Lotion and Clinique as moisturizers.

The girls said they bought most of their skin care products at food or drug stores. They said they chose their stores primarily on the basis of convenience and selection of product. Most girls said their mothers usually gave them the money for their purchases, but 39 percent of both the girls and boys had at least part time jobs and 50 percent said they were given allowances.

Skin care dealers look to pre-selling

Continued from page 16

more feet for the mass brand lotions, 8 feet for bath oils and bubble baths, 4 feet for bath accessories and 8 feet for acne treatment lines.

The new set makes the skin care department more visible and more accessible to shoppers, and since the change Perry's H&BA buyer Steve Lund reports movements from the warehouse are increasing significantly.

However, Lund says he won't know how much sales increased at store level "for another few months. I think, though, we're going to get increases of between 15 and 20 percent," he says, "just because of the change."

Lund says he feels the franchised treatment category was "lost" before because it was in cosmetics. Now he feels, treatments will have a stronger physical presence in Perry stores, and that presence and impact should help generate incremental sales.

"Treatments are not a strong growth category for us," he says. "A lot of companies are attempting to unlock the potential of that category for drug stores, but it hasn't really been done yet," he said.

"Now you see more launches happening that may make the whole category grow. Swedish Secret coming out last year. Lournay out this year." According to Lund, "They'll either take share from Olay or they'll expand category sales or perhaps both will happen.

"But there are so many new SKUs coming out in this category that I'm guessing we're going to see more growth and better growth in 1988."

So far, Lund says he is seeing some trends emerging in Perry stores. Olay is slowing down, he says, because of the new competition.

Nivea's Visage, a new brand, is doing well and so are the traditional Vaseline Intensive Care moisturizing lines. Curel and Soft Sense are also doing well with Perry, and Lubriderm is growing almost three times faster than the category as a whole.

Lund says Perry may be seeing more growth in the lighter creams designed specifically to moisturize the face.

"You're seeing more of the lighter creams for the face coming out," he said, "and they seem to do well. Westwood recently expanded its Keri brand into a light moisturizing formula and it's selling well.

"I think part of it has to do with the fact that more people are realizing they do need to moisturize their faces because the face is exposed to so many damaging forces," said Lund, " and there's always a need to add body moisturizers to dry spots like knees and elbows."

Harco Drug

At Harco Drug in Alabama, toiletries buyer Charles Monk reports that his basic skin care business was flat last year. Some brands and lines, of course, did better than others at Harco, but their growth came at the expense of other brands in the category.

Monk says his best sellers in 1987 were S.C. Johnsons Soft Sense and Curel, and Warner Lambert's Lubriderm.

"We had a good growth in those specific brands," said Monk. "It seems the products for dry skin are doing better than the overall lotions."

Harco also promoted Oil of Olay frequently last year, and Monk says the brand did very well. "It may not have increased its sales very dramatically, but it held its own and it was a good traffic draw for us."

Nivea's Visage is selling well in Harco, but Monk says he hasn't seen it take any share away from Olay which he promotes every quarter.

Monk doesn't have the new light Keri Moisturizing Spray in his stores yet, but he says he's bringing it and he expects it to sell well "because it's different."

Keri also has new packaging that Monk thinks is "very nice," and he believes that will help the line grow considerably this year. "And if Westwood would just advertise it more, I think you would see some very dramatic growth. They rely too much on detailing dermotologists," he said.

Skin care sales by main category segment

(Drugstore retail sales)

Segment*	Dollar sale (millions)	% change (8/87 vs. 8/86)
Face creams & lotions	$251.6	0.5%
Hand & body lotions	205.9	6.5
Sun tan lotions & oils**	147.4	6.8

*Top three skin care category segments which account for 70 percent of all drugstore retail skin care sales

**Includes sunscreens & sun blocks, but not after-sun care products

Source: Nielsen Marketing Research

The basic skin gets an average 8 to 12 feet in Harco stores, and the size of the department hasn't changed much in recent years. Acne treatments get about 4 feet in the set and the prestige brands like Olay and Visage get 2- and 4-foot shelves.

Monk couldn't recall any exciting new brand in the acne treatment category, and he says sales there are static.

Wal-Mart gives Harco a lot of competition for skin care sales, and Monk says their stores usually retail the well known brands like Vaseline Intensive Care Lotion at exceptionally low prices everyday.

"Wal-Mart tears away at our prices on the key brands," he says. "They'll have Vaseline Intensive at $1.79 everyday while I'm paying $2.20 for it. There's no way we can match their prices so I try not to promote a brand like that as often."

However, Monk will use key treatment brands at select periods of the year for traffic building. He did promote Vaseline Intensive last October for $1.99 for the 15-ounce size.

"It did very well for us too," Monk said, "because normally we retail that size for $3.19."

This January, Monk put Soft Sense and Curel in his 99 cents ads. "We were able to negotiate a good deal with S. C. Johnson so we could get them out at sharp prices."

The ad featured the 6-ounce Soft Sense, which normally retails for $1.79 at 99 cents and the 6-ounce Curel, which normally retails for $2.99, at $1.99.

As traffic builders, Monk says the better known skin care brands work out extremely well for Harco, and "we can usually make some money, but I must say, at these prices, not a lot. They do get the customers in, though."

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as a **professional**". D. Clary, SC
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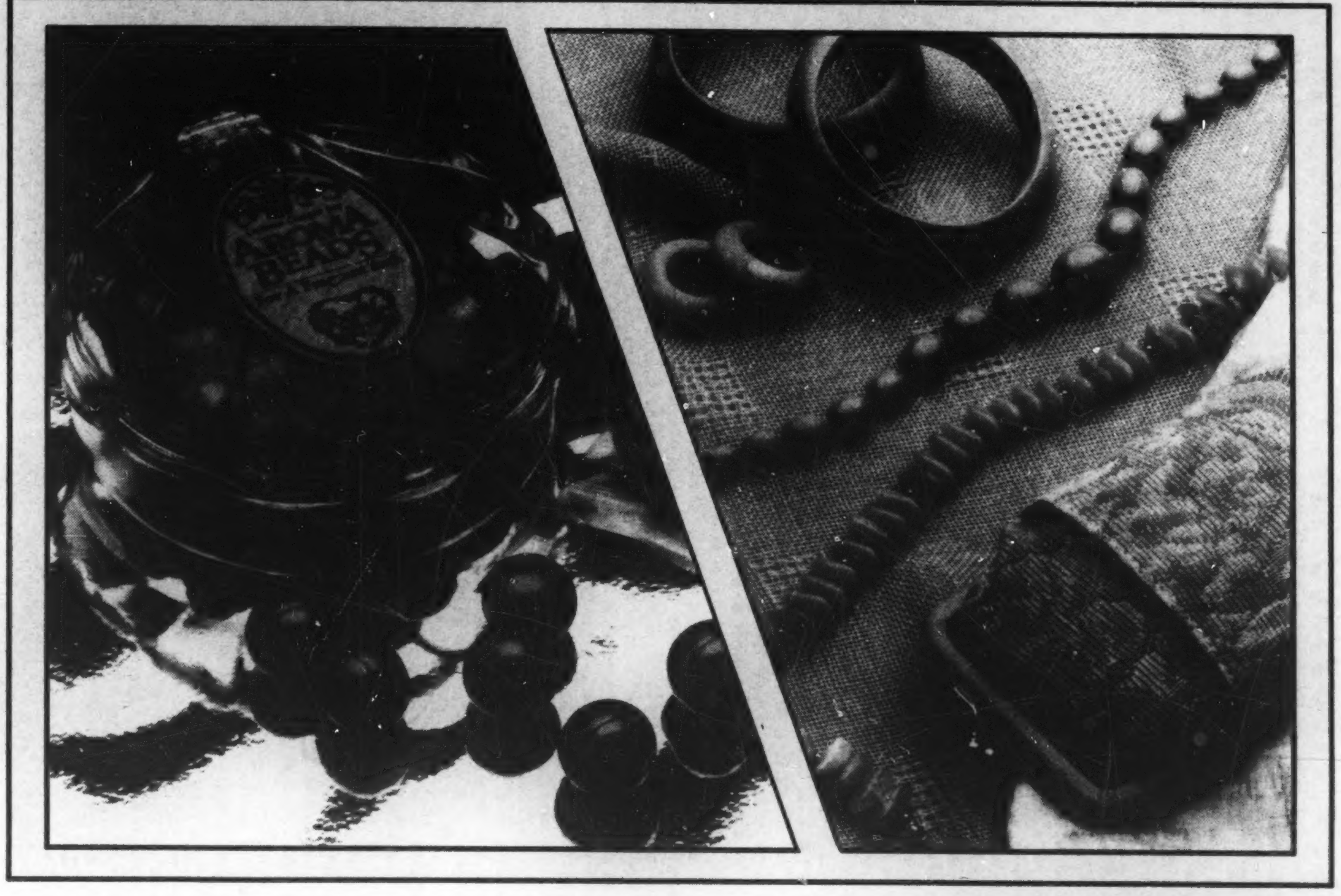
TRENDS

Cosmetics: Category in Motion



[illegible]

Body Love Cosmetics, Santa Cruz, Calif., is introducing Aroma Beads, bath beads filled with natural oils and vitamin E.

The beads are an opalescent turquoise and have a fragrance called Lemon Ginger Oil.

The natural oils in the beads are said to soften and moisturize the skin.

There are two sizes: 24 beads with an SRP of $5.99 and a trial size with three beads for 99 cents.

Each size comes in cases of 12.

[illegible]

Revlon's Lady Mitchum antiperspirant is now available as Lady Mitchum with Light Powder Fresh Scents packaged in a wide, oval solid stick, and a large-ball roll-on.

Revlon says the dermatologist-tested formula for Lady Mitchum provides a no-sting, quick-drying antiperspirant that is gentle enough to be used right after shaving.

The new scent is a mix of rose, jasmine and lavender.

The 1.5-ounce roll-on has a suggested retail price of $2.71 and the wide solid 2-ounce stick has an SRP of $3.31.

Foot Care

The Biopractic Group of Phillipsburg, N. J. has introduced two new footcare products: FootMedic and Foot Miracle.

Foot Miracle is a deep-penetrating cream that softens rough, callused areas, aids cellular regeneration and brings comfort to the heel and foot.

FootMedic is an external pain relieving gel that uses a super-strength formula of Mineral Ice that was created specifically for the feet.

Both products have a water-based, non-greasy and non-staining formula. SRP is $9.95.

Fragrances

Manhattan Ice, New York, is introducing a new line of alternative designer perfumes: real perfume.

The fragrances in the new collection include Orient (Opium alternative), Gigi (Giorgio alternative), Amore Amore (Anais Anais), and Submission (Obsession).

All the fragrances in the line are perfume alternatives as opposed to colognes or eau de toilettes. The fragrances for the collection were developed by Richard Loniewski, who was associated with the development of Opium, Enjoli, Krystal, and Carrington.

Jewelry

Accessories Associates, North Providence, R. I. has a new spring jewelry and leather goods collection.

The jewelry collection includes beaded necklaces, bangle bracelets, earrings and hair accessories designed in pastel shades of pink, lavender, lime green and lemon.

The multi-colored small leather goods collection includes wallets, billfolds, cigarette cases and change purses in a variety of textured tapestry shades.

Lip Care

Coty is introducing a new line of lip colors and moisturizers called Watersplash.

Coty says the innovative formula for Watersplash includes water as well as cocoa butter to soothe and cool the lips while adding color.

Watersplash is designed to replenish dry, dehydrated lips so they look and feel refreshed.

Watersplash is also the first lipstick in a domed applicator tube. Coty says the new applicator is neat and convenient to use.

Users can also control the amount of color they apply to their lips: a little leaves a sheer, glossy tint while a slightly stronger application creates the look of a medium coverage lipstick. There are eight shades in the line, packaged in color matched tubes. SRP is $3.75.

[illegible]

Loujene, Metuchen, N. J., is introducing an innovative single-use "disposable" quick-drying glossy nail enamel called Gloss & Toss.

Gloss & Toss comes in 31 shades in disposable packets that contain enough enamel for two or more coats of polish, plus a disposable, custom-designed brush.

Loujene has priced Gloss & Toss so that women can buy several packets of different colors for less than it costs to buy one bottle of conventional nail enamel.

A floor display is currently available that includes 18-dozen units of Gloss & Toss plus six SKUs of Loujene's five brands of nail treatments: Pink Mender, Fiber Wrap, Ridgefiller Cream, Base Coat and Top Coat.

Sun Care

S. C. Johnson is adding a fragrance-free formulation to its Curel moisturizing skin care line. Curel, which was introduced in 1984.

Johnson's management says the absence of fragrance in the lotion is an "added bonus" for users who consider the scent in a fragranced lotion to be a problem.

Curel is marketed as a therapeutic lotion for anyone whose work requires them to wash their hands frequently. Curel has been formulated to end the roughness and cracking of dry skin problems.

The formula contains glycerine to attract moisture to soften the skin as well as petrolatum to help the skin retain its own moisture.

The Fragrance Free Curel will be available in 6-ounce bottles with self-cleaning, flip top caps. SRP is $2.99.

* * *

Westwood Pharmaceuticals is introducing a non-aerosol version of its Alpha Keri Moisture Rich Body Oil.

The Alpha Keri Moisturizing Spray is a continuous spray that is meant to be used right after a bath or shower.

Dermatologists say that moisturizing oils and creams are most effective when used on skin that is still damp.

Westwood is using a patented Exxel delivery system in its spray that contains no flurocarbons, gases or propellants of any kind. The spray is also good for hard to get at areas like the backs of thighs and heels.

The spray comes in a 3.5 ounce bottle.

* * *

General Therapeutics, Hempstead, N. Y., is introducing a 2-ounce trial size version of its Queen Helene Cocoa Butter Hand & Body Lotion.

The lotion protects the skin from the sun, plus it soothes and softens the skin.

The new 2-ounce size comes in a 72-piece shipping carton.

Sun care product sales still shine on drug chains

Continued from page 18

manent year-round set for sun care products, but Kinder has recently expanded that section.

Begley stores now have a 4- to 5-foot set for sun care in their skin care department. Coppertone, Hawaiian Tropic and a selection of higher SPF protection brands are in the department.

Last season, Kinder says Begley "sold out" of Pre Sun 29 "because of everyone being concerned about the sun and the potential for cancer."

Kinder says Begley didn't carry Cancer Garde last year, but they will stock the Cancer Garde this year, both at the pharmacy and in the skin care section.

"We try to give our pharmacists as much information as we can," he said, "so they can help customers make intelligent decisions about what sun protectors to buy."

Kinder tried the colorized zinc oxides in about 30 of Begley's 45 stores last year and he says he was "pleased" at the turns. "We didn't go really heavy with it," he said, "I think we may have one or two more good years with this segment left."

In 1988, Kinder says he will probably go with just one brand, either Le Zink or Konkers from Bonne Bell.

"Tan accelerators are slowing down for us," he says. "I don't know what will happen in that category. Most people who use tan accelerators go to tanning salons and since they're sold in tanning salons, most people buy them there."

Kinder thinks the new sun sponges and sun towelettes that are used as disposable dispensers of sun tan lotions are novelty items that may "create some curiosity," but he's not sure how strong the sell-throughs will be on them.

In 1987, Kinder says Begley gave about "a third more space to sun care advertising" in their media program.

"Actually, we're trying to give more emphasis to all the basic categories," he said. "We want people to remember that we're a drug store."

Top sun care segments

The strongest growth segments in sun care for drug stores in the first half of 1987 were nose coats and sun screens with SPF's of eight and above, according to Pipeline research, a service of the Consumer Products Division of IMS.

Pipeline monitors warehouse shipments to drug stores as a marketing service.

Pipeline's research shows that nose coats were up 60 percent in drug stores for the eight months ended last August while sun screens with SPF's of eight and more were up 32 percent.

Pipeline's numbers indicate that the after-sun segment was down by about 31 percent while dark tanning lotions or tropical lotions with zero sun protection were down by about 2 percent.

The regular tanning segment which consists of tanning products with SPF's of two through four was also down, Pipeline says, by 4 percent.

According to Pipeline, the brands with the strongest sales increases for the six months ending in August were Eclipse, up 32 percent, Pre Sun up 29 percent, Coppertone, up 27 percent, and Sun Down, up 18 percent.

In mass treatment skin care, Pipeline says facial moisturizers grew slightly faster than hand and body lotions, facial moisturizers were up 12.2 percent compared to 11.5 percent for hand and body.

The growth brands in facial products, says Pipeline, were Revlon's Eurpoean Collagen, and Neutrogena's Moisture Cream, both up 25 percent and Noxzema skin cream, up 11.4 percent.

In hand and body lotions, Pipeline says Moisturel Lotion was up nearly 37 percent, Eucerin was up 23 percent, and Lubriderm was up 16 percent.

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In the battery sales war, drug chains get a charge from aggressive tactics

Drug chains are battling for battery market share with aggressive use of floor racks for cross-merchandising, displays in high-traffic alleys, and with tie-ins on vendors' heavy promotional schedules.

Faced with a tough fight from mass merchandisers who carry more battery-driven devices and work on lower margins, some drug stores are experiencing dampening of sales growth and category profitability. Most, though, report brisk battery turns. The challenge remains in controlling inventory in the face of vendors' hard driving efforts to place new products and values onto the shelves.

"It's a good producing category, but we want to keep it turning properly," said Del Draney, battery buyer at Pay Less NW Drug Stores.

Draney said Pay Less NW is limiting its exposure in multipacks, and on in-and-out deals, to insure consistent inventory turnover. Stores will emphasize the two- and four-pack items in the chain's permanent set, which drove the business last year.

"Over the past few years, multipacks have been the trend, and sales were good for a time. But we can't live with it forever because it inflates inventory and reduces our turns," Draney said.

"We won't carry anything larger than a four-pack on an everyday basis," Draney said.

Pay Less will be promoting more from a basic 12-foot run, which includes Eveready,

'We won't carry anything larger than a four-pack on an everyday basis,' Draney said.

Continued on page 26

AUDIO &
Y LIGHT
ENERGIZER
ENERGIZER
OMY LIGHT
ENERGIZER
CONOMY LIGHT

Drug chains must often assort themselves to compete against the deep displays fielded by discounters, such as this Gold Circle pegboard unit in Atlanta.

November's Top-Selling Toys

(Based on a survey of 3,000 retail accounts)

Board games, pre-school and old favorites accounted for most pre-Christmas toy sales activity.

Name	Vendor	Type
Nintendo Entertainment System	Nintendo	video game
Pictionary	The Games Gang	board game
G. I. Joe	Hasbro	action figure
Barbie	Mattel	doll
Alf	Coleco	plush
Fun with Food	Fisher-Price	pre-school
Cabbage Patch Kids	Coleco	dolls
Real Ghostbusters	Kenner	action figures
Gotcha!	Entertech	action game
Fisher-Price Kitchen	Fisher-Price	pre-school
Captain Power	Mattel	action figure
Transformers	Hasbro	action figures
My Little Pony	Hasbro	girl's toy
Party Kitchen	Little Tikes	pre-school
Turbo Hopper	Tyco	radio-controlled game
Win, Lose or Draw	Milton-Bradley	board game
Scruples	Milton-Bradley	board game
Teddy Ruxpin	Worlds of Wonder	plush
Pogo Bal	Hasbro	activity toy
Lady Lovely Locks	Mattel	doll

(Source: Toy and Hobby World's Toy Hit Parade)

Raley's sets a pre-pack flashlight display next to a battery set near the front checkout in this Woodland, Calif., combination store.

DRUG CHAIN BATTERY PROMOTION ADS: NOVEMBER 1987

Chain	Brand	Type	Sale price
Walgreens	Eveready	2-pack C or D	$1.79
	Kodak	4-pack AAA	2.39
	Eveready	4-pack C or D	1.00
	Kodak	2-pack C or D	1.79
Pay Less NW	Eveready	2-pack AA or AAA	1.49
	Eveready	9-volt/2-pack C or D	1.89
Fay's	Duracell	2-pack C or D	1.78
	Duracell	1-pack 9-volt	1.78
	Kodak	2-pack C or D	1.68
	Kodak	4-pack AA or AAA	1.98
Osco	Duracell	2-pack AA or AAA	1.49
	Duracell	2-pack C or D	1.49
	Eveready	2-pack AA	.69
	Osco	2-pack AA or AAA	1.29
Revco	Eveready	4-pack AA, D or C	1.79
Hook	Duracell	1-pack 9 volt	1.87
	Duracell	2-pack C, D, AA, or AAA	1.87
	Eveready	2-pack C, D, AA, or AAA	1.99
	Eveready	1-pack 9-volt	1.99
Peoples	Peoples	2-pack C or D	2/1.00
	Peoples	4-pack AA	2/1.00
	Duracell	2-pack C or D	1.89
	Duracell	1-pack 9-volt	1.89
Thrifty	Kodak	6-pack C or D	3.99
	Kodak	8-pack AA	3.99
Rite Aid	Panasonic	4-pack C or D	.79
Eckerd	Kodak	2-pack C, D, or AA	1.59
	Eveready	2-pack C or D	1.79
	Eveready	1-pack 9-volt	1.79
SupeRx	Duracell	2-pack C, D, or AAA	1.79
	Duracell	1-pack 9-volt	1.79
	Duracell	4-pack AA	2.29
Longs	Longs	2-pack C or D, or AA	1.49
	Longs	1-pack 9-volt	1.49
	Duracell	2-pack C or D	1.79
Pay 'n Save	Eveready	2-pack C or D	1.79
	Eveready	2-pack 9-volt	3.49
	Duracell	4-pack AA or A	2.49
	Duracell	2-pack 9-volt	3.49
Medic Discount	Duracell	2-pack C or D	1.79
	Duracell	9-volt	1.79
	Eveready	2-pack C or D	1.79
SuperD	Duracell	2-pack C or D	1.99
	Duracell	2-pack 9-volt	3.15
	Duracell	4-pack AAA	3.25
Page	Eveready	2-pack C or D	1.88
	Eveready	1-pack 9-volt	1.88
	Eveready	2-pack AA or AAA	1.39
Dart	Eveready	4-pack AA	2.49
	Eveready	2-pack AA or AA	1.39
	Eveready	2-pack 9-volt	1.79
Drug Mart	Duracell	4-pack D, C, or AAA	1.69
	Duracell	4-pack AA	2.19
Genovese	Eveready	4-pack AA	1.49
	Eveready	9-volt super	1.69
	Eveready	2-pack C super	0.99

Source: Vereen & Associates, Inc.

Hearing aid battery sales give Eckerd a health-care charge

Eckerd Drugs uses hearing aid batteries to boost category profits and underline its health care image. That is particularly important to this chain, which services the Southeast, where many retirees flock.

"The specialty battery category as a whole is very important. That's where your gross profit is," says John Paul Orr, Eckerd's hearing aid battery buyer.

"Our [hearing aid battery] sales have increased every year. People are more aware of health, and we've placed more emphasis on health concerns," said Orr.

One of the country's major suppliers of hearing aid batteries, Eckerd is emphasizing the category more as intensified competition from mass merchandisers threatens profits from drug stores' multi-purpose battery offerings.

It promoted hearing aid batteries for the first time this year, with quarterly circular play, at price points about 30 percent off everyday prices, or at about $3.30 per pack. These will continue in 1988, said Orr.

Eckerd carries eight Eveready SKUs, including its small-sized zinc air cell picked up in 1987. Orr likes Eveready's breadth of selection.

"The demand isn't great enough to carry more than one brand. We look for the best price, so we can keep prices down for our customers," Orr said.

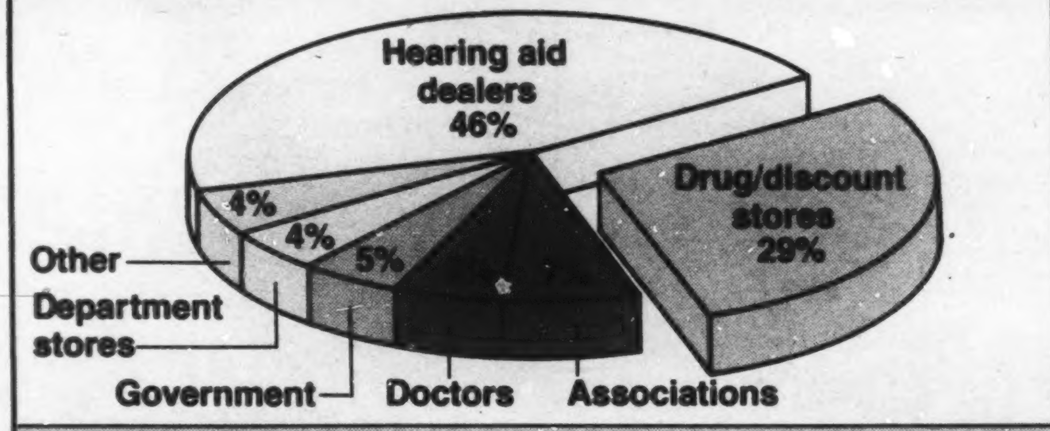
Consumers receive the batteries from stores' pharmacists, who are provided with cross reference guides so they can identity Eveready replacements for batteries the stores' don't carry.

"We treat them like a medicine. So its important we have a 100 percent service level," said Orr.

Since the batteries produce good profits, and a good return on a direct product profit basis, Orr makes sure there is a consistent in-stock position.

"This category is more and more important to drug chains, because drug stores have lost market share in multi-purpose batteries. We'll put more emphasis on them," said Orr.

Hearing aid battery sales by retail outlets



Source: Rayovac Corp.

Segment grows at 14% rate

Hearing aid batteries represent a $73 million market that is growing 14 percent a year. The growth of the elderly population and the increase in numbers of people who wear two hearing aids is driving sales.

Drug chains take various approaches in merchandising the category.

Revco is among drug chains that have picked up Rayovac's zinc air hearing aid battery, which was repositioned under the Loud 'n Clear name this year.

In the fourth quarter, Revco was promoting a Rayovac zinc air four-pack for $3.69, along with a Rayovac mercury six-pack at $3.09.

Begley Drugs puts its Eveready zinc air hearing aids by stores' checkout lanes, adjacent to multi-purpose batteries.

"It's something you can't do without; but it's not a major part of our sales," says Begley buyer Chuck Reeves.

Fay's Drug carries mercury and zinc Duracell lines, with displays at the pharmacy counter.

The Snyder Brothers drug chain in Minneapolis stocks about ten Eveready SKUs, dispensed by clerks from behind the film counter, said buyer Larry Olson.

Duracell is mirroring Rayovac's path with stepped up efforts for hearing aid sales through retail channels. Owner of the zinc air Activair brand, Duracell in March will offer consumers who purchase five packages of Duracell hearing aid batteries, a $3 check toward the purchase of a prescription drug, and a coupon for an additional pack of Duracell hearing aid batteries.

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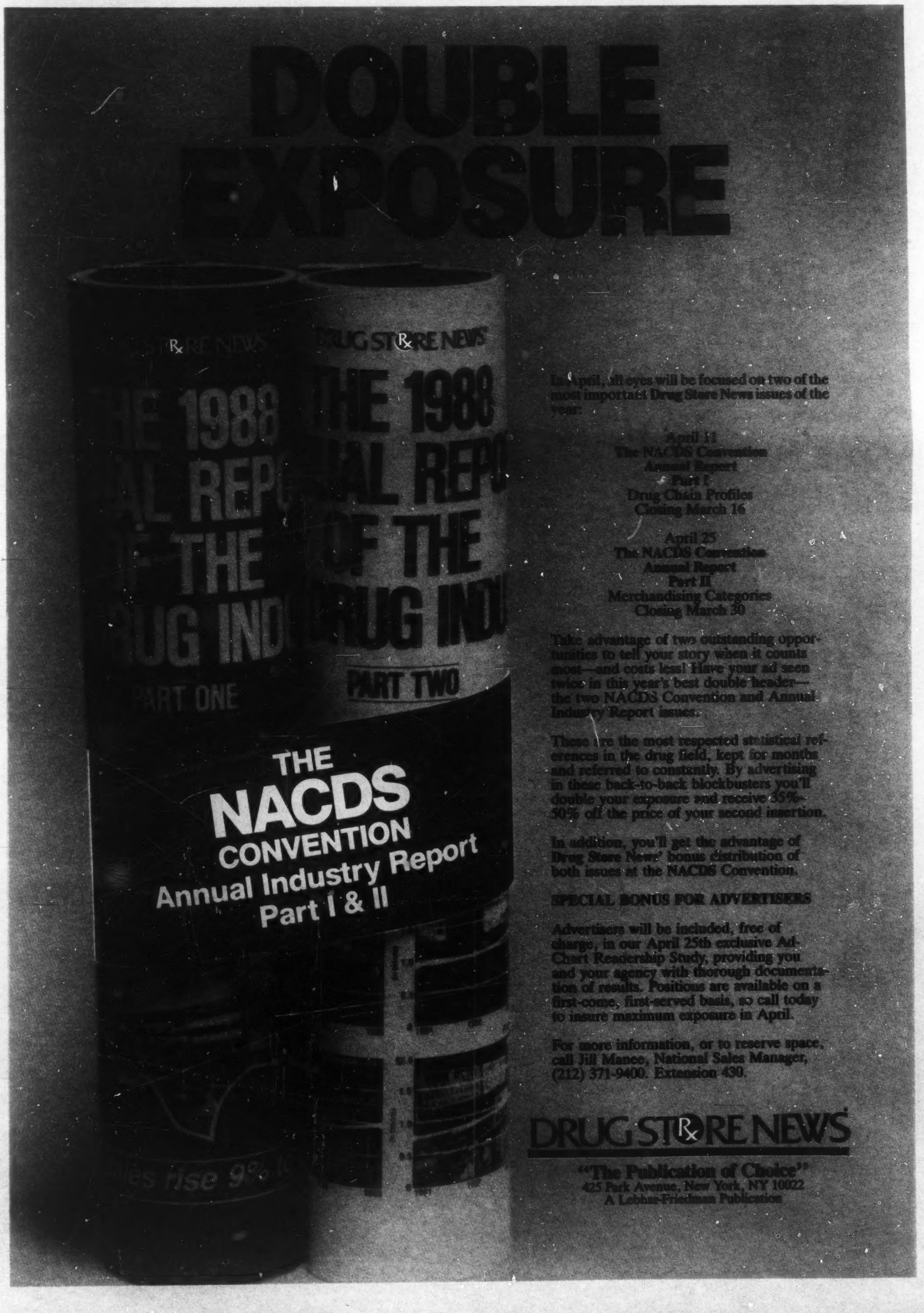

In April, all eyes will be focused on two of the most important Drug Store News issues of the year:

April 11
The NACDS Convention
Annual Report
Part I
Drug Chain Profiles
Closing March 16

April 25
The NACDS Convention
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Part II
Merchandising Categories
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Gladson on the art of persuasion
— Page 17

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DRUG STORE NEWS®

Vol. 10/No. 4 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Feb. 15, 1988

Perry Drug Stores at a glance

(for fiscal year ending 10/31/87, prior to sale of auto parts division)

Drug stores	
Units	222
Sales	$550 million*
Autoworks division	
Units	252
Sales	$155 million
Health care division	
Operations	9
Sales	$21 million

*Includes auto parts sales from combination drug/auto stores. Source: Perry Drug Stores

Perry driving back to profitability

Sale of Auto Works division for $51M 'overdue'

By James Frederick

PONTIAC, Mich. — The sale of Perry Drug Stores' huge Auto Works division is being widely viewed as a positive—even overdue—move which will hasten the chain's return to profitability.

Perry capped a months-long search to find a buyer for the auto parts division in late January, when it agreed to sell its 252 Auto Works stores to Northern Automotive Corp. of Arizona for $51 million in cash. In fiscal 1987, ended Oct. 31, 1987, the eight-state Auto Works division accounted for $133 million of Perry's $726 million in total revenues, down from a high of $145 million the previous year.

Northern Automotive is an affiliate of Northern Pacific Corp., a company controlled by Eddie and Julius Trump of The Trump Group, which three years ago acquired a controlling interest in Pay 'n Save Corp. and precipitated that company's breakup into several retail groups.

The Trumps retained two old Pay 'n Save divisions—Lamont's apparel stores and Schuck's auto supply stores—and already control, through Northern Automotive, a chain of some 500 auto parts stores under the Schuck's, Kragen and Checker logos in 12 Western states.

Perry's decision to rid itself of the

See **Perry,** *page 59*

Diener leaves Rite Aid post to run marketing at Peoples

Diener

Grass

ALEXANDRIA, Va. — Howard Diener has left his senior vp-purchasing post at Rite Aid to become executive vp-marketing at Peoples Drug.

Diener, regarded as a prime catch for Peoples and one of the leading merchants in the trade, fills the vacancy left by Fred Edwards, who resigned from Peoples at year end to join Dart Drug Stores as senior executive vp.

At Peoples, Diener will report to David Eisenberg, senior executive vp and chief operations officer. Diener had spent seven years at Rite Aid, constantly refining the merchandising mix for its mostly bantam stores, and overseeing efforts to bring acquired stores quickly under the Rite Aid merchandising umbrella.

Rite Aid executive vp Martin Grass told *Drug Store News* that Diener will not be replaced. His department will be merged with the merchandising department, and Roger Grass will bear responsibility for both departments in his new post of senior vp-merchandising and purchasing.

Sources at Peoples Drug, Rite Aid and vendors described Diener as a "tough and talented negotiator who will

See **Diener,** *page 59*

The 18-unit Cosmetic Center chain of cosmetic/toiletries specialty discount stores plans to open about eight new stores this year. A three-pronged marketing formula: service, value and a broad variety including prestige brands. See coverage on p. 8.

Begley board mulls SupeRx's $12.3M takeover offer

By Al Heller

LEXINGTON, Ky. — The Begley Co.'s board of directors was meeting at press time to draft its formal response to the $12.3 million takeover bid from a division of Phoenix-based SupeRx Corp.

Industry sources close to Begley indicated the board would most likely urge stockholders not to tender shares because directors perceive the offer is inadequate.

Begley chairman Tracy Farmer controls 100,000 shares out of the total 665,000 common shares outstanding, an amount nearly equal to the 110,000 already committed to SupeRx subsidiary S&B Acquisition Corp. by president Robert Begley, his mother Vera, the Begley family trust and former chain executives Donald Snyder and Orlando Segneri. Snyder and Segneri left the company in mid-'87. Mitch Jacobs, who had been vp of merchandising, is the most recent high-level exec to depart the chain.

Employees control about 200,000 shares, and they aren't inclined to tender much of that because they feel the chain is worth more, a company source said.

That could make it tough for the tender offer, forged by Su-

See **Begley,** *page 59*

LATE NEWS

• ALEXANDRIA, Va. — Two veteran NACDS executives, senior vp George Nyhart and vp-government affairs Ty Kelley have resigned from the association to pursue "other personal interests and business opportunities," according to the association. Replacements have yet to be named.

• OAKLAND, Calif. — Safeway Stores has agreed to sell its 51-store Little Rock, Ark., division to Acadia Partners, a New York investment company, for an undisclosed amount. The stores include 14 with pharmacies. The deal is contingent on a successful new labor contract.

• FLINT, Mich. — F. W. Woolworth is gearing up to open its second Woolworth Express unit in another mall location here by early May. Woolworth said it will open roughly 15 of the 5,400-square-foot outlets this year, following "better than projected" sales in its first store, opened Oct. 8.

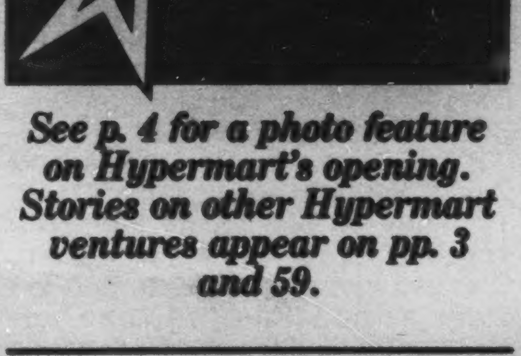
Wal-Mart's 2nd Hypermart plays up Rx and H&BAs

By Bruce Buckley

TOPEKA, Kan. — With typical Wal-Mart fanfare, the nation's third largest retailer unveiled its second Hypermart U.S.A. in this capital city last month.

Wal-Mart chairman Sam Walton called Topeka a "key regional trade center," with a countywide population of 160,000, but noted that the store would have to draw from a significantly wider area if it

See **Hypermart,** *page 59*


See p. 4 for a photo feature on Hypermart's opening. Stories on other Hypermart ventures appear on pp. 3 and 59.

In this issue: a special back-to-school category overview

See special coverage, starting on p. 19, for the Back-to-School Merchandise Show running Feb. 12-14 at New York's Jacob Javits Convention Center. Features include a category overview, a profile of one chain's treatment of the category, trends in writing instruments and greeting cards, how one store emphasizes ethnic cards, and recent stationery product launches.

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NEWS IN BRIEF

Lucky Stores names new concept store

DUBLIN, Calif. — Lucky Stores has dubbed its new concept store, which will debut in San Diego next month, Advantage. The 482-store chain delayed the opening one month because of remodeling delays at a former Gemco location.

Ralphs could go on the auction block

COMPTON, Calif. — Ralphs Grocery could be placed on the auction block as a result of an unfriendly bid for its parent company Federated Department Stores. Campeau Corp. made a hostile $4.2 billion bid for Federated last month, and disclosed in a SEC filing that, if successful, it might sell off the Ralphs division. The 129-store grocery chain does not have in-store pharmacies, but does lease space in several of its Giant locations to Thrifty drug stores' Jr. concept.

New Arbor store boasts earthy decor

WEST BLOOMFIELD, Mich. — Arbor Drug's new decor, including earthtones and new signs, was unveiled in the chain's 75th store, opened Jan. 20. The 9,450-square-foot unit is the fifth of 10 stores planned for the Detroit metro area in fiscal 1988.

A & P tunes to in-store radio advertising

MONTVALE, N. J. — POP Radio, the in-store radio company used by many drug chains, and Muzak, the business music company, have signed with A & P supermarkets to create a customized radio program for its stores. The pact is the first involving both POP Radio and Muzak, since the two companies made an agreement last October to jointly provide retail music and advertising programs. The companies will create individual programs for A&P stores, including Waldbaum, Super Fresh, Kohl's, and Food Mart.

Cardinal completes Marmac acquisition

DUBLIN, Ohio — Cardinal Distribution announced the completion of the stock purchase of Marmac Distributors, Hartford, Conn. drug wholesaler, with $50 million in annual revenues. The addition of Marmac expands the $800 million drug and food distributors' presence in Connecticut and Southern New England. Marmac management will remain.

Moore moves into generic drug market

NEW BRITAIN, Conn. — Moore Medical Corp. said it has completed buying West-ward, Inc. an Eatontown, N. J. manufacturer of generic pharmaceuticals.

For Moore, a national distributor of drugs and medical and surgical supplies, the acquisition will be its first move into the manufacturing of generic drugs, said Moore president and ceo Jerald Rome.

West-ward Pharmaceutical Corp. will operate as a wholly-owned independent subsidiary of Moore, with Martin Sheer, former West-ward president, as vp-manufacturing and operations, and Barry Weisberg, a former vp of H. L. Moore Drug Exchange, as vp-sales and marketing.

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Vol. 10, No. 4 Feb. 15, 1988

Seacorp to help maintain Pay'n Save's equity level

By Pamela Krein

SEATTLE — Pay 'n Save will maintain its $91 million shareholder equity level through a capital contribution from principal stockholder Seacorp, allowing the chain to move forward and "consolidate its gains" in 1988.

Pay 'n Save, still saddled with debt from a leveraged buyout in 1985, was faced with early debenture repayment if the company did not raise its equity level by the end of its first quarter on Jan. 30.

Seacorp agreed to purchase on the open market a total of $13 million principal amount of Pay 'n Save's 7⅛ percent convertible debentures due July 15, 2006. Under the terms of the agreement, the money has been placed in escrow and once final figures are in for the first quarter, Seacorp will convert that portion of the debentures into common stock which is necessary to raise the equity level to $91 million.

As part of the deal, Pay 'n Save's other principal stockholder, the Zimmerman Retailing Group, has agreed with Seacorp to help fund the capital contribution.

With this now behind him, company vice chairman and ceo Gerald Nathanson told *Drug Store News* that he is "calling this a good year for consolidation; we'll take our changes and make it work."

The changes Nathanson referred to included the reformatting of the company's drug stores, which brought the chain back to a core drug store image and abandoned much of the short-lived import merchandising strategy.

Recently released year-end figures for the company show Pay 'n Save's changes resulted in some improvement during 1987. Although still in the red, a net earnings loss of $26.8 million for the year ended Oct. 31, 1987, is decidedly better than the net earnings loss of $49.4 million in the previous year.

'This a good year for consolidation; we'll take our changes and make it work.'

As Nathanson pointed out, year-end earnings before interest and taxes of $5.81 million was a vast improvement over the prior year's $22.9 million loss. "Considering we've made so many changes . . . you'd think a $30 million [gain] is a great improvement," he added.

Sales for the year improved from $555 million in 1986 to $726 million. However, the Bi-Mart discounter division was only part of the company for one-third of the year in 1986. For the drug chain alone, sales dropped slightly during the year from $489 million to $487 million. Currently Pay 'n Save operates 109 drug stores and 37 Bi-Marts, a two-store and four-store increase respectively over the previous year.

Nathanson said "margins were disappointing" last year, but for much of the year the stores were either stocking the import merchandise or clearing it out in preparation for the reformatting.

Sales did improve in the fourth quarter when the stores were reformatted. Much of the $15 million gain was offset, however, by the heavy advertising costs required to promote the new look.

Including both the drug stores and Bi-Mart, sales for the quarter increased to $191 million from $171 million, while net earnings went from a net loss of $25.7 million to a loss of $8.86 million.

The new fiscal year started off with strong sales, particularly in December, Nathanson said. Same-store sales for November, December and January posted double digit gains over the same period a year ago, he added.

Nathanson said he will work to improve margins and lower costs by cutting ad expenses and "looking at every single facet of the business to see where we can save a little."

Nathanson expects to see improvements from the company's warehouse, which he said underwent $6 million in automation renovation last year. He said the building has gone from processing almost zero to pushing almost $4 million in volume through a week.

Touch Tone reader service bows

Drug store retailers can now get in touch with vendors using *Drug Store News*'s fast, flexible Touch Tone Ad service debuting in this issue.

Here's how it works. Ads placed in *Drug Store News*' special Touch Tone Ad issues will carry a telephone logo and toll-free phone number, with special five-digit code.

There will be six Touch Tone issues in 1988.

Readers can dial the number to receive additional information about the advertised product, request information, set up a phone call or arrange a meeting with a sales rep, or talk directly with a sales rep.

You'll receive all the benefits of a 800 number at no cost, and get fast response to your inquiries while your interest level is high.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

CHICAGO, 1928 — The Walgreen chain makes every packet of cigarettes that it sells carry its advertising to the consumer. A little green sticker, two inches long and half an inch wide, is pasted across the lower end of the cigarette package. It reads "You're Always Welcome at Walgreen's."

50 years ago

FREEPORT, N. Y. 1938 — A sign near the busiest counter at the Liggett drug store, 98 S. Main St., Freeport, N. Y., read "Did you forget something? Use our phone free." B. M. Kenyon, manager, has a small stand built for the phone, together with a pad and pencil.

The additional orders more than made up for the cost of the phone. One customer bought a 10 cent box of aspirin and on calling his home was reminded to buy a $4.98 heating pad.

40 years ago

NEW ORLEANS, 1948 — The new Katz & Bestoff drug store, 3100 Gentilly Boulevard, New Orleans, features curb service. Motorists can be served without getting out of their cars. Semi-self service is used inside the store. New unit is streamlined, constructed almost entirely of glass, has almost 5,200 square feet of selling space.

30 years ago

SEATTLE, 1958 — In Seattle, Wash., Pay 'n Save is the sponsor of a new hydroplane to be used in racing competition. Considering the sponsor, it is only natural that at the public christening ceremonies for the boat, Miss Pay 'n Save used high potency vitamins instead of the traditional champagne — for extra power, no doubt.

20 years ago

FAIRFIELD, Maine, 1968 — LaVerdiere's Drug in Fairfield, Maine, has been contacting the home economics departments of all high schools in the areas served by the chain, offering skin care and makeup clinics for the teenage students.

10 years ago

ALEXANDRIA, Va., 1978 — Peoples Drug is gambling that it can parlay its limited convenience food experience into 7-Eleven success. So says Sheldon Fantle, chain president, who expects to open at least a dozen new 13,800 sq. ft. combination drug convenience food stores in the Washington, D. C. metropolitan area this year.

Back-to-school/stationery profitable year-round

The back-to-school/stationery/home office category has come of age as a year-round profits center for drug chains.

Charged by a boom in the home office segment and high-tech advances in product design, the category is seen as a high-profit, expanding area by drug chain merchandisers around the country.

Total sales in the stationery category at drug chains grew 10.1 percent, to $1.49 billion, in 1986, the latest year for which figures are available. Of that, school/office supplies tallied $416.8 million, a 14.6 percent increase over 1985.

"It's definitely a year-round, core category—very profitable," said buyer Tom Rinaldo of Dart Drug Stores. He added that Dart has made "good inroads" into home office, with plans to go deeper, and cited Stuart Hall's Executive line as adding to the chain's image.

Other buyers are looking for ways to cash in on the home office growth. Some plan to expand footage to strengthen home office presentation; others are paring their overall stationery mix to accommodate more home office supplies.

Although back-to-school time represents the major promotional thrust for the department, buyers are generally looking to step up second-semester and tax time promotions and include more home office items at those times.

"Home office is definitely the biggest growth area" in stationery, said K&B buyer Mark Blandford, who estimated a 15- to 20-percent growth range for the segment in each of the past two years at K&B.

"We're looking into giving home office extra footage," said Dan McAlister of Kerr Drug Stores. He plans to add 28 feet to the 56-foot department. Bob Morrison, non-foods merchandise buyer for Randall's Food and Drug Centers, a 41-store chain based in Houston, said, "We're getting more shoppers who used to go to the office supply stores by carrying a more upscale, professional mix of portfolios, organizers, file boxes and the like. Mead and Rubbermaid are both coming out with some good products in those areas that meet our needs very well."

"We play up stationery more and more," said a buyer for a Midwest chain. "Now we run office and school supplies in every major circular."

He added, "The biggest challenge is getting the space we really need." In a test, he has moved the whole department from a gondola to a wall location in five stores.

In the back-to-school/stationery side, fashion and color—both primary colors and subdued shades—are enlivening chains' overriding strength in basic items such as theme books, notebooks and filler paper. Pastels are on the wane.

Denim and other clothing looks are seen as coming fashion elements for the school crowd, in such items as notebooks and knapsacks. And pearlized, chrome, laser prints and other fashion portfolio treatments are becoming popular. One Midwest buyer is considering Scentex's new line and Plymouth's pearlized portfolios, which he calls "absolutely gorgeous."

"We've done well with several fashion portfolios," said buyer Mark Tow of Hook Drugs in Indianapolis. Although they don't turn as fast in units, he said, they are a higher ticket, on about the same margin.

Rinaldo noted success with the fashion trend in binders, such as those from Majestic, K & M and Esselte.

Buyers say wireless notebooks with laser perforations are also gaining popularity.

Among other items that do well at back-to-school time are calculators and alarm clocks. And Morrison suggested that an item to watch is a new, heavy-duty, insulated lunchbox from Aladdin Industries. Increasingly, chains are adding nontraditional items in back-to-school promotions, such as candy, H&BAs, personal care appliances, and hosiery.

Licensed characters are fading, in several buyers' view. "You do well once and get stuck on reorders," commented buyer Rick Stutts of Crown Drugs.

Some buyers have good results with paperback and pegged vestpocket-size dictionaries, while others are also looking at a hardbound dictionary in the $5-$6 range.

Chains strive to tailor their back-to-school mix to local needs. At Randall's, for example, school districts publish lists of all the supplies students must have to start the school year. "We're now getting those lists in advance and making up complete packages of everything on each list for each grade level," Morrison said.

"It's really convenient for the parents, because we offer everything the kids need as specified by the school district in one bag, at a retail price less 10 percent. It saves them money and time and gives us multiple school supply sales at big-ticket prices."

In a category characterized by product proliferation, housekeeping and out-of-stocks are a constant challenge for chains. Organizing systems are helping to address both problems.

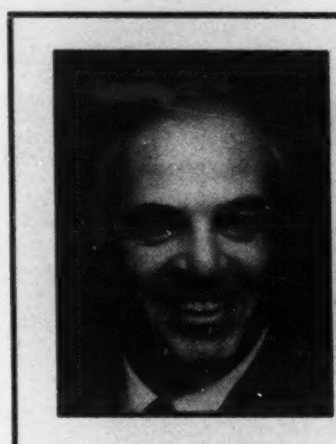
"It's hard to keep good inventory levels, because there is so much fluctuation," Tow asserted. He said suppliers who ship on time are rewarded by increasing their presentation and shrinking those who don't."

DRUG CHAIN BACK-TO-SCHOOL PROMOTION ADS: AUGUST 1987*

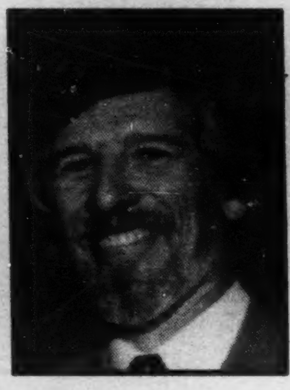
Brands	Category	% of all BTS ads
BIC	Pens, pencils, liners	8.0%
Elmer's	Glue	1.7
Empire	Stapler, glue, staple remover, pencils, erasers, paper clips, push pins	2.8
Faber-Castell	Pens, pencils	2.2
Mead	Filler paper, notebooks, binders, theme books, folders, portfolios, tablets, notebook paper, envelopes	19.7
Paper Mate	Liquid paper, pens, pencils, highlighters	6.8
Stuart Hall	Notebooks, binders, portfolios, envelopes, theme books, pad	2.2
Total all BTS ads		43.4%

*Includes ads from such chains as Drug Mart, Eckerd, Health Way, Osco, Pathmark, Peoples, Revco, Thrifty and Walgreens. Represents last major back-to-school promotion season.

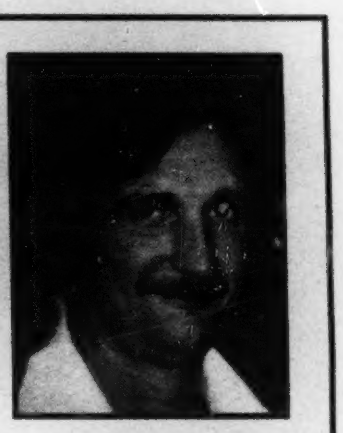
Source: Vereen & Associates



Fanticola



Forbes



Shanower

DrSN *offers back-to-school panel*

Drug Store News publisher Jay Forbes will moderate a panel discussion on "Emerging Trends in Mass Marketing Back-to-School/Stationery" Saturday, Feb. 13, from 8:30 a.m. to 9:30 a.m. in Room 1A03, during the 1988 National Back-to-School Merchandise Show at the Jacob K. Javits Convention Center in New York.

All those at the show are invited to attend the seminar, which will include straight talk by a panel of five prominent merchandisers and buyers from leading drug, supermarket and general merchandise chains.

Panelists include Tony Fanticola, vp-general merchandise, Vons Grocery Co.; Dave Hawmaker, merchandise manager/stationery, McCrory's; Frank Shanower, vp-merchandise, Drug Emporium; Cynthia Stahley, merchandise manager/stationery, Genovese Drugs; and Ted Wyman, division merchandise manager, Hills Department Stores.

Discount Store News publisher Fred Filer will help lead the panel discussion.

Room 1A03 is on the same exhibit level as the show. There is no seminar admission charge for registered buyers and exhibitors. Coffee and danish will be served at 8:15 a.m., courtesy of show management.

In back-to-school/stationery, Fruth enjoys 'small' advantages

POINT PLEASANT, W. Va. — For 10-store Fruth Pharmacy Inc., being a small chain has its advantages, which it capitalizes on in its back-to-school/stationery departments.

One advantage is that Jim Fisher, director of merchandising, is also senior buyer and advertising manager. "I'm involved in buying and selection and also advertising, so we don't have the breakdown between buying and advertising that sometimes happens in larger chains," he said.

Moreover, Fruth's five stores in West Virginia and five in Southeastern Ohio are all within roughly a 50-mile radius of headquarters, enhancing the chain's ability to stay on top of customer wishes and needs. "Many of our people are on a first-name basis with customers and often grew up with them," Fisher noted. So a local elementary schoolteacher, for example, doesn't hesitate to come in and tell a store manager special needs he or she may have for a particular class project.

"There's also better communication within our organization," Fisher said. "If we see a trend in one area, we can develop a program in all our stores, because they're relatively close together."

Fruth gives its store managers considerable autonomy in choosing items for various departments, including stationery. One store, for example, responded to an unusually strong local demand for backpacks and schoolbags by augmenting chainwide assortment with items from a local vendor. The result was a doubling of their business in that segment.

Two Fruth stores are located in college towns, and that requires an awareness of particular items, such as college-rule paper, that will sell in those locations but not necessarily elsewhere.

And in small-town locations, parades, such as at homecoming, are a major event; Fruth respond with beefed up supplies of posterboard and crepe paper for float-building.

"Our managers, within reason, can bring in anything they think they can sell in stationery, as in other categories. All we ask is that, if it's successful, they let us know so we can develop it chainwide," Fisher said. "Many managers in large chains often don't have that freedom."

Because managers also own a piece of the corporation, they have a vested interest in their store's success. (Fruth is unusual in operating six corporations, including one or two stores in each, with Jack Fruth president of the whole operation.)

Store size ranges up to 10,000 square feet, with $1.8 million-$2 million in average store volume. The front end/ pharmacy ratio is about three-to-one.

Most of the chain's stationery departments line both sides of a 20- to 24-foot aisle, with writing instruments, mostly pegged, taking up 8 to 12 feet.

The department is about 85 percent serviced by a primary and secondary supplier, who reorders (with managerial input), and does general housekeeping every two weeks. Merchandise is

Continued on page 31

TO HEAR A TOUCH TONE AD CALL 1-800-553-4355

In the social expressions marketplace,

Today's shopper wants unique cards that will communicate

Leading manufacturers in the $3.9 billion greeting card industry find that shoppers are increasingly looking for individualized messages and humor in their cards.

Because their lifestyles are becoming busier, consumers seek quick, easy and economical ways to communicate. "People are pressed for time, but they like to think of themselves as thoughtful, and want more direct, straightforward 'quick takes,' "said Rosalyn O'Hearn, who is manager of marketing/public relations at American Greetings.

And although special occasions such as holidays make up a big part of the card market, cards are playing a new role—to communicate rather than just to mark events.

Reflect bigger changes

Rachael Bolton, Hallmark Cards product information coordinator, said "They reflect and parallel lifestyle and demographic changes."

Thus, people are sending cards to sympathize on someone's divorce or new diet, or just to say, "I know things haven't been going well for you." There are cards to congratulate a friend on acquiring a new condo, a promotion, a Scouting achievement—even a new driver's license.

As the population ages, that is being reflected more realistically in cards: Older people are depicted in jogging suits rather than rocking chairs, and congratulations on a 90th or 100th birthday are not uncommon.

And vendors are responding to a perceived reawakening of traditional values in the country with more inspirational cards, according to O'Hearn.

Cards are funnier

There is also a trend toward more humor in cards, Bolton maintains. "Americans have always had the ability to laugh at themselves," she said. "In trying situations, they come through with humor."

In ethnic cards, especially for blacks and Hispanics, customers are calling for better quality, more style and more tasteful messages, maintains Karen Durand, product manager for Gibson Greeting Cards. She said Gibson is revamping its black and Hispanic card lines this year, both in design and editorial. "Research shows they didn't like what was out there."

These trends are making greeting cards more and more a year-round category, the top three manufacturers agreed.

Ethnic cards help retailers meet patrons' special needs

For an independent to be competitive in today's retail market, it's absolutely necessary to convince potential customers that their business is wanted and appreciated.

In Paterson, N. J., Jim Blake, the young owner of Paterson Pharmacy, has been able to achieve that objective by merchandising his store to the needs of his neighborhood.

About five years ago, Jim and his father, Stanley, who then owned Paterson Pharmacy, decided to add a line of ethnic greeting cards to their overall card department.

At the time, sales were "okay" in the department, but Jim and his dad felt they could be better if the stores offered a selection of more personal cards, or cards that were more reflective of the specific neighborhood which Paterson was servicing.

Large ethnic population

"About 40 percent of our customers are black," says the younger Blake, "and another 40 percent, maybe, are Hispanic. We thought it might be nice for them if they could come in here and see some black faces on cards, or some Spanish faces."

Blake says that because Paterson did not specifically advertise the fact that it now had a line of ethnic greeting cards, sales grew slowly at first, but in the last two years, sales have been going up dramatically. "We're seeing increases of at least 20 percent a year," said Blake.

Donald Schutz is the sales training manager for Rousana Cards, which services Paterson Pharmacy and whose sales reps do the ordering and replenishing. He says the 20 percent growth rate is "on target" for this sort of change.

"In some stores we've done," he says, "you get growth of 30 percent or more in the first six months after the change.

"You see more retailers do-

Continued on page 22

MRABP
THE WET SET
WATERPROOF ON PAPER
Retail Value $2.38
STARTER SET
Retail Value $1.69
A75 0.5mm Automatic Pencil
1 Dozen Super Hi-Polymer 0.5mm Lead Refills
0.5 mm
Student Pak
Retail Value $3.47
Micro-fine Line Black Ink Roller Ball Pen with Metal Tip
0.5mm Automatic Pencil
Retractable Pocket Eraser
Pentel.
Pentel.
Pentel.

BACK-TO-SCHOOL 1988

Pentel quality now comes with a cash rebate!

Pentel is always a big draw. Just imagine how your customers will flock in this year when you offer them that great Pentel quality… plus a money-saving $1 cash rebate! This special offer is on Pentel's Back-To-School special Starter Set, Student Pack and Wet Set packs. The cash rebate offer can mean big profits for you… so call your Pentel representative today and get in on the action. Pentel… the name that means profit.

"BEING BETTER IS WHAT WE'RE ALL ABOUT!"

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PENTEL OF AMERICA, LTD.

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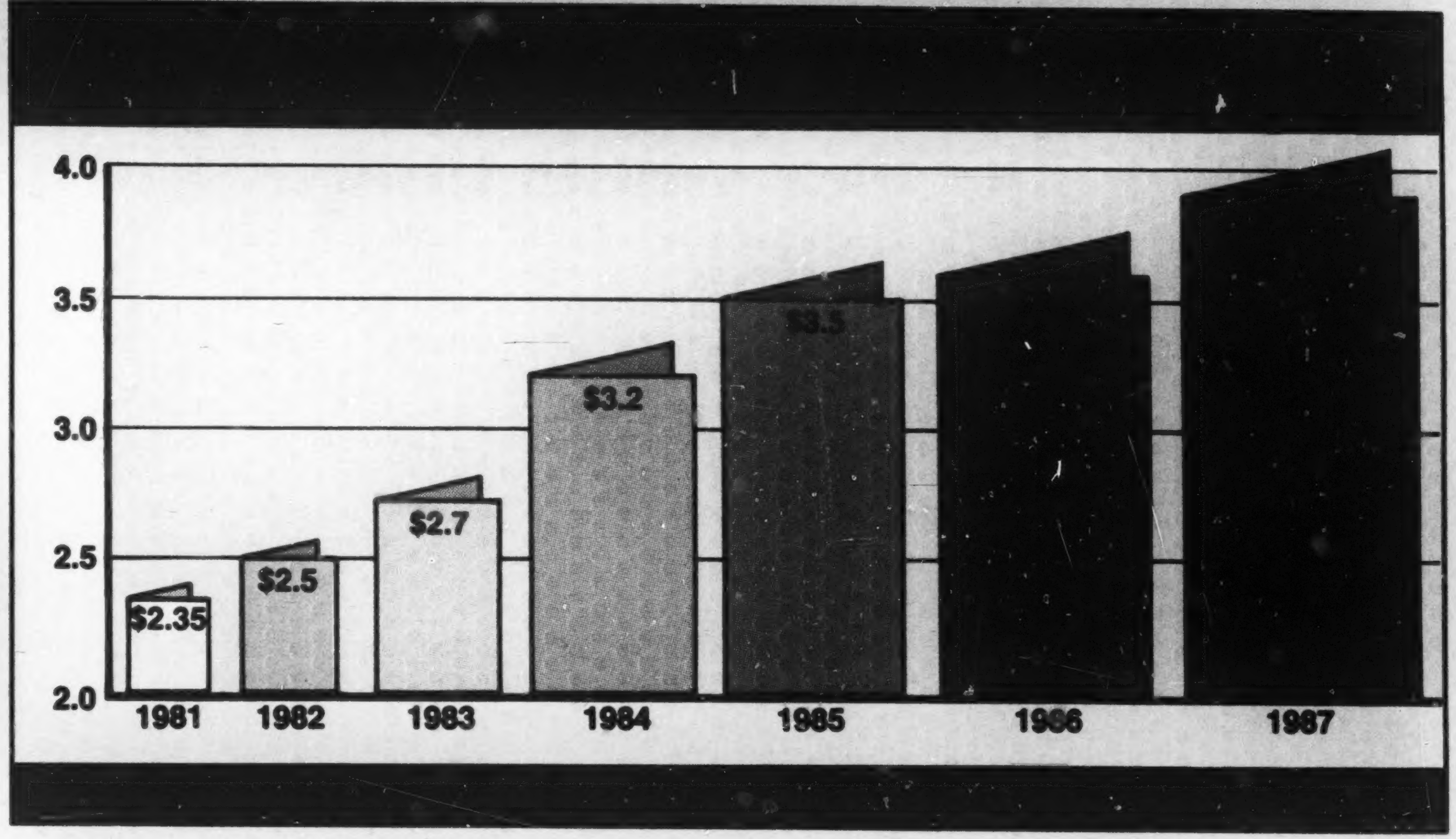
SOUTH CENTRAL/CENTRAL REGIONS: 1100 Arthur Ave., Elk Grove Village, IL 60007 (312) 640-7570
WESTERN REGION: 2805 Columbus St., Torrance, CA 90509 (213) 320-3831

Touch Tone ☎ Code #10347

Paterson Pharmacy's ethnic card sales are growing approximately 20 percent a year; about 40 percent of its market is black.



Ethnic cards

Continued from page 21

ing this today, too. Five years ago, maybe two out of every five retailers in black or Hispanic neighborhoods had a selection of ethnic cards. Now it's getting close to every four out of five. Walgreens has ethnic cards in some stores, and so does Dart, Peoples and Eckerd."

Rousana specializes in ethnic card lines; it's the company's market niche. However, retailers can also obtain ethnic card lines from most of the major greeting card companies, including Ambassador, American Greetings and Gibson.

Praises manufacturer

"We like having an ethnic line," says Blake. "It sells well. It hits the right clientele, and Rousana is a nice company. Its people come into my store and they organize everything. They select the merchandise, they reorder, they do the housekeeping. It's made a big difference."

Right now, Blake says his card department takes up about 20 percent of his front end space.

Paterson Pharmacy is a 3,000-square-foot store, and about 70 percent of its selling space is devoted to front-end merchandise.

Ethnic hair care is also a big department in the store, and Blake has a selection of ethnic cosmetics.

Other ethnic categories

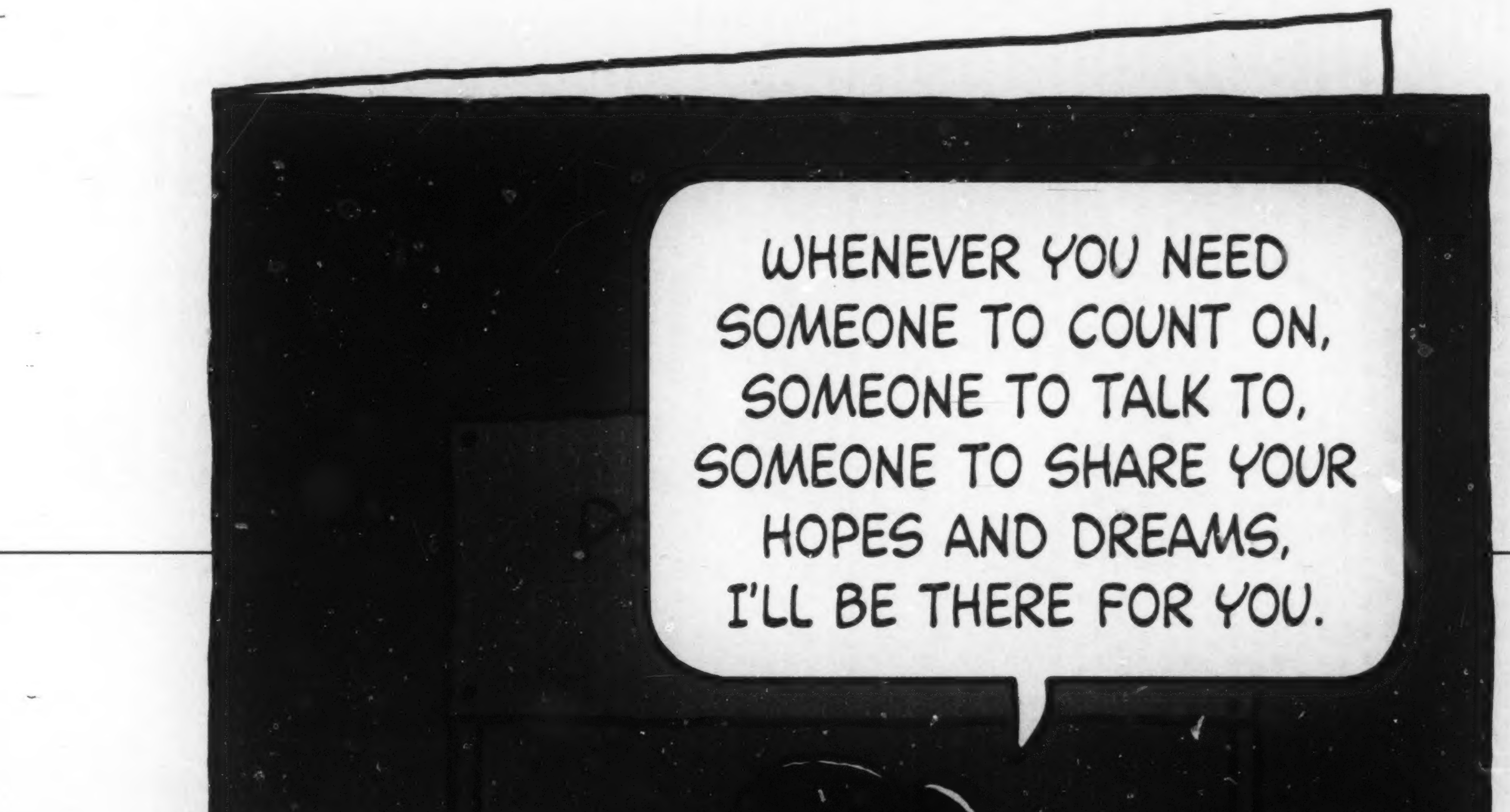
"The hair care really sells well," he says, "and this is in spite of the fact that it's expensive. This specific type of customer just cares a lot about how they look, and they do have special hair care needs.

"It's the same with the cards. Sometimes a universal or general card will do well, and we sell a lot of cards that are what I'd call general.

"But if you're a black man and you want to buy a Valentine card for your girlfriend, then you appreciate a card with a black couple on it."

Blake does not do a lot of advertising for his store. "I don't have to," he says. "We're in a shopping center area and we get a lot of foot traffic. There's a Foodtown supermarket/liquor store right next door,

Continued on page 23


WHENEVER YOU NEED SOMEONE TO COUNT ON, SOMEONE TO TALK TO, SOMEONE TO SHARE YOUR HOPES AND DREAMS, I'LL BE THERE FOR YOU.
IN

Ambassador Card No. 115KPF606J. LUCY: © 1952 United Feature Syndicate, Inc.

Browsing is encouraged at Douglas Drugs

Greeting cards sport an airy, upscale presentation at Douglas Drugs, Rhode Island. Carpeted floors, glass étagères and well-delineated product segments make browsing easy. Many Douglas stores have gift departments and gift wrap service available.

Ethnic cards

Continued from page 22

and there's a laundromat here. People congregate here, and we depend on that for traffic.

Yet Blake sometimes does mention greeting cards when he does advertise, and he has used the Rousana name in his ads.

"We give Rousana a free hand to organize the department and suggest what we should stock," he says, "and I think they are one of the reasons it is taking off so well."

Blake estimates that he's currently giving about 25 percent of his overall greeting card department space to ethnic cards, and ethnic cards are generating about the same proportion of sales.

"We're glad we tried it," he says, "and if there's more demand, we'll expand the assortment.

"We're making a statement to our customers with that line. We're saying, 'We want your business and we appreciate your business, and we want you to know that we're here to serve you'," he concluded.

When people buy greeting cards

(units in millions, 1987)

Occasion	Number of cards
Christmas	2,200
Valentine's Day	1,000
Easter	185
Mother's Day	145
Father's Day	90
Graduation	85
Thanksgiving	40
Halloween	28
St. Patrick's Day	16
Jewish New Year	12
Chanukah	11
New Year's	10
Grandparents' Day	4+
Other seasons	8
Everyday cards	1,700
Total	7,100

Source: Greeting Card Association

When Ambassador promises service, we don't mean just 9 to 5 and never on Sundays.

We could tell you about the time Gail Leslie gave up her weekend to install a new card department.

Or the time George Collins drove more than 200 miles to *personally* deliver a display that was needed immediately—if not sooner.

Or we could brag about our electronic order transmission that works 24 hours a day, so you never run low on best sellers, even on weekends or holidays.

But the main thing to remember is this. Ambassador is a *Hallmark* Company, with the biggest collection of dedicated, thoroughly trained people in our field. All of them on tap to solve *your* problems.

From planners who'll customize *each* of your stores' Greeting Card Departments so that every square inch pulls its weight.

To our computer whizzes with their comprehensive packages specially designed to maximize sales, reduce out-of-stocks and minimize your inventory investment.

If you're already a customer, you know how hard we work to keep you ahead of the game. If not, call us: 816-274-4562. Ask for Pat Cullinan, V.P., New Business. And—reverse the charges.

Our equipment and programs are state of the art. But when it comes to personal service, we believe in the old-fashioned ways.

Ambassador

Working harder to make it easier for you.

A Hallmark Company

Touch Tone ☎ Code #10392

2/29/88 C 5150-2

Point-and-shoots pace camera sales
— Page 10

Vons' Pavilion gets cosmetics revamp
— Page 8

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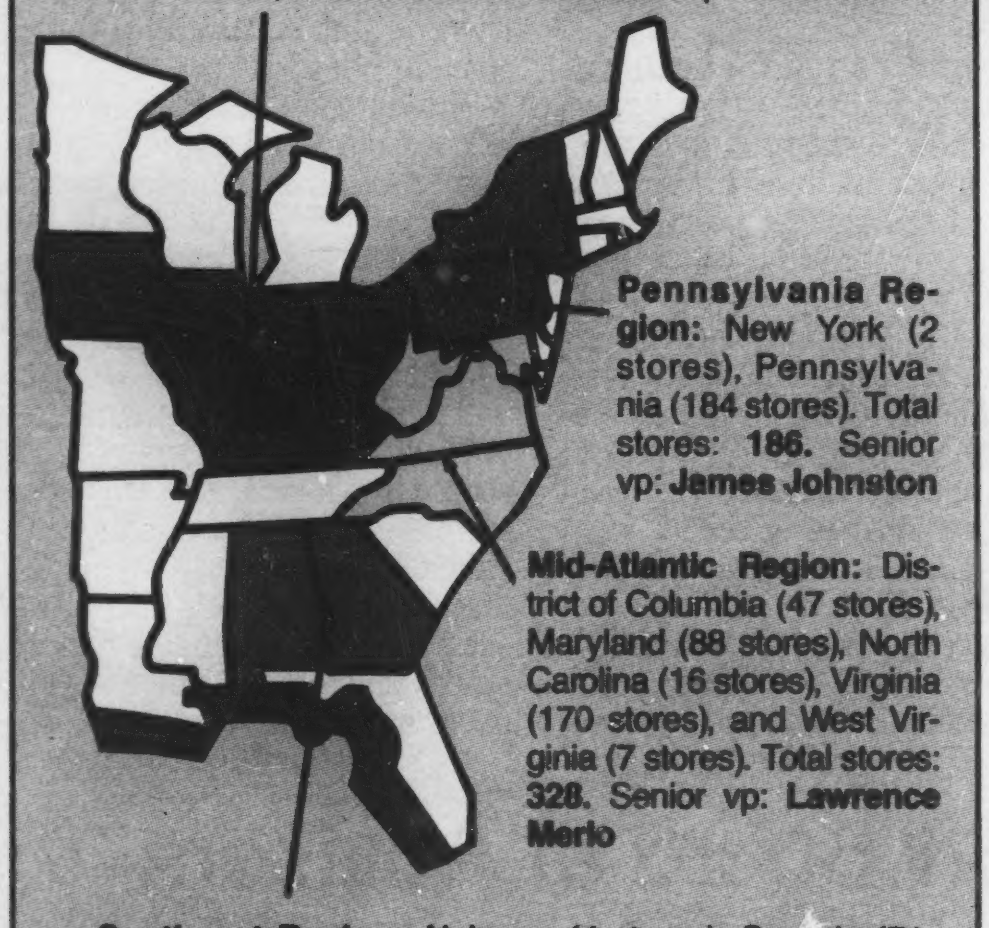
BETHESDA
MD 20814

DRUG STORE NEWS®

Vol. 10/No. 5 Our 60th year of serving chains, wholesalers and high-volume independents Published by Lebhar-Friedman Inc. Feb. 29, 1988

Peoples' drive towards regionalization

Midwest Region: Illinois (17 stores), Indiana (86 stores), Iowa (19 stores), Kentucky (4 stores), and Ohio (104 stores). Total stores: **230.** Senior vp: **Mark Miller**



Pennsylvania Region: New York (2 stores), Pennsylvania (184 stores). Total stores: **186.** Senior vp: **James Johnston**

Mid-Atlantic Region: District of Columbia (47 stores), Maryland (88 stores), North Carolina (16 stores), Virginia (170 stores), and West Virginia (7 stores). Total stores: **328.** Senior vp: **Lawrence Merlo**

Southeast Region: Alabama (4 stores), Georgia (71 stores). Total stores: **75.** Senior vp: **John Crisafulli**

Source: Company reports

New era begins at Peoples; broad repositioning in store

ALEXANDRIA, Va. — After more than a year of reorganization, Peoples Drug Stores is raising the curtain on what its management hopes will be a long-running hit show.

The 819-store chain, plagued by operating difficulties and losses in 1986, made a major effort last year to recast its marketing strategy and restructure its management and operating systems.

Peoples' new marketing thrust will center on customer convenience and service, a new lower price image, better in-stock positions, clean and uncluttered stores, and a product mix emphasizing the core drug store categories of pharmacy/OTC, cosmetics and H&BA.

Peoples has adopted a new slogan to sum up what it hopes will be its new image with consumers: "The convenience you want—The savings you deserve."

The changes are the result of consumer research carried out in the first part of 1987, which showed that what drug store customers wanted most was convenient shopping, including shorter checkout lines, easier-to-find merchandise, a better in-stock performance and friendlier service. The research also found that consumers considered Peoples to be a high-priced store.

The centerpiece of the marketing changes will be Peoples' new prototype stores called "Boss" [for "the customer is boss."] Peoples hopes to re-

See **Peoples,** *page 85*

Format centers on core items

By Elizabeth Parks

ALEXANDRIA, Va. — Peoples Drug's major remodeling program will reaffirm the chain's posture as specialists offering value in the core pharmacy, cosmetics and H&BA categories.

Peoples plans to remodel as many as 250 stores in 1988 and an equal amount in 1989, ceo David Bloom said. Bloom says the remodeling will continue until Peoples has upgraded the majority of its 800 stores, a process that will probably end by 1991.

Bloom added that Imasco, Peoples' parent,

See **Remodeling,** *page 85*

Cullum grows Page Drug, chain hits downtown Big D

Freestanders provide focus for health care

By Bruce Buckley

DALLAS — Page Drug opened its first downtown store here earlier this month, as part of parent Cullum Company's new willingness to expand the number of freestanding drug stores under the Page banner.

The 7,000-square-foot downtown store, located in the high-rise First Republic Bank building, opened to what store director Al Rubin called "terrific" opening week traffic.

Rubin said the customer count has been running about 2,000 a day and prescriptions have reached nearly 100 a day. The script count is surprisingly large for a new downtown store, even considering that Page bought out the prescription files of a small independent located in the same building. Rubin said about 50 percent of the prescriptions are new.

Cullum's decision to take a fresh look at the freestanding drug store market after years of almost total emphasis on its Tom Thumb Page food/drug combination stores was a recognition of the special health care niche that drug stores can fill in a market, according to

See **Page,** *page 85*

Farmer, Wolken struggle for Begley employees' shares

By Al Heller

Bob Begley

LEXINGTON, Ky. — As intense as steely eyed poker players in a smoke-filled room, Begley chairman Tracy Farmer and SupeRx president Gerald Wolken are waging a long-distance high-stakes battle for custody of Begley shares currently owned by employees of the chain.

The 158,000 shares they control (of 665,000 outstanding) will largely determine the success or failure of SupeRx's $18.50 per share tender offer. The offer from SupeRx subsidiary S & B Acquisition Corp. was due

See **High stakes,** *page 85*

Ziegler takes charge in NACDS shuffle

First in a two-part series

ALEXANDRIA, Va. — The sudden resignations of two key executives of the National Association of Chain Drug Stores signals a shift in direction and scope for the organization as new

See NACDS, *page 85*

LATE NEWS

- ROME, N. Y. — Revco Drugs said it is looking for new buyers for the 45-store Carl's Drug chain, signalling the proposed LBO by Carl's management may be foundering. "We are remarketing Carl's, and once again soliciting bids," said a Revco spokesperson. Buyout leader Tod Bogan responded: "We are still very actively negotiating with Revco."
- CLARK, N. J — Ketchum, Inc., which sold a controlling interest to Office Commerical Pharmaceutique, Europe's largest drug wholesaler, moved its headquarters from Norwalk, Conn., to a more central location here. The wholesaler also said it is setting up a new sales and marketing division.
- BOSTON — Stop & Shop said it is weighing alternatives to Dart Group's sweetened $37-a-share takeover offer, including a possible "white knight" takeover. Stop & Shop's board rejected Dart's latest offer Feb. 11, but Dart and a number of Stop & Shop shareholders have sued to overturn the company's antitakeover provisions.

Drug stocks enjoy early '88 rally; buybacks seen to help earnings

By David Vaczek

NEW YORK — Drug retailer and wholesaler stock prices have rallied so far this year, after slumping in the last months of 1987, according to the *Drug Store News* industry stock indexes.

Several companies said, meanwhile, that stock repurchase programs launched when stock prices nosedived Oct. 19 should help their per-share earnings.

Drug industry stocks climbed with the Dow Jones Industrial Average, which had bottomed out Oct. 19. The DJIA grew 13 percent from Oct. 19 and Feb. 11.

Drug chains tracked by the *Drug Store News* Drug Chain Stock Index were 10 percent higher on Feb. 11 than Oct. 19. Wholesale stocks were virtually unchanged, with a small 0.1 percent net growth.

Though the drug industry increase from Oct. 19 was less than the DJIA's, drug chain and wholesale stocks have recovered more of their value than has the DJIA from the high prices of summer.

As of Feb. 11, the DJIA was down 28 percent from its peak day of Aug. 25, drug wholesale stocks were down 26 percent, and drug chains were down 20 percent.

Selling prices of drug firm stocks rallied in January and

Continued on page 86

Drug Store News' stock tables appear on page 86

NEWS IN BRIEF

Cerra and Thompson promoted at Thrift

PITTSBURGH — Thrift Drug has filled two top spots. Enzo Cerra, formerly a regional vp, has been named senior vp-merchandise and distribution. Cerra, who joined Thrift as a pharmacist in 1973, was also named to Thrift's Executive Committee.

Gerald Thompson was named vp for Thrift's Southern region. The former regional operations manager will also serve on the chain's management council.

Thompson, a pharmacist, joined Thrift in 1972 as a graduate intern.

Pacific Lighting now Pacific Enterprises

LOS ANGELES — Thrifty Drug Stores' parent company Pacific Lighting has changed its name to Pacific Enterprises to better convey the company's diverse businesses. Although initially involved in utility lighting, the company has since left this field, and is now involved in a myriad of industries, including retailing, energy exploration and natural gas distribution.

AHBAI holds conference June 26-30

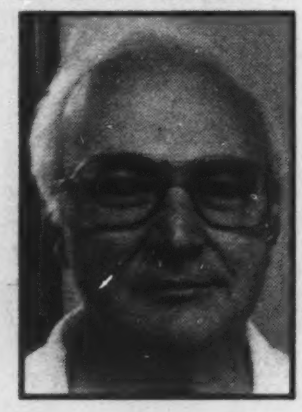
DALLAS — The American Health and Beauty Aids Institute (AHBAI) will sponsor its sixth annual mid—year business conference, June 26 through 30, at the Four Seasons Hotel and Resort here.

Conference theme is "The Changing Ethnic HBA Category: Strategies for Prosperity." Program includes panels, presentations and workshops. Trends and forecasts will be discussed, as well as shelf space allocation, merchandising the new ethnic H&BA category, and the importance of the black consumer.

Registration is open to AHBAI manufacturer and associate members, trade and consumer publications, retailers, distributors and other key executives allied with the ethnic H&BA industry.

To register, contact American Health and Beauty Aids Institute, 111 E. Wacker Drive, Suite 600, Chicago, Ill., (312) 644-6610.

Wilber to be honored with Torch Award



NEW YORK — Philip Wilber, founder, president and ceo of Drug Emporium, has been named to receive The Torch of Learning Award, pharmaceutical division, from the Friends of the Hebrew University.

The 13th annual award recognizes Wilber's service within the drug industry, and in the community, as well his professional leadership in building the Drug Emporium deep discount store chain.

Presented last year to former NACDS president Robert Bolger, the award will be made May 16 at a dinner at the New York Marriott Marquis. The event will be chaired by David Eisenberg, senior executive vp and chief operations officer, Peoples Drug.

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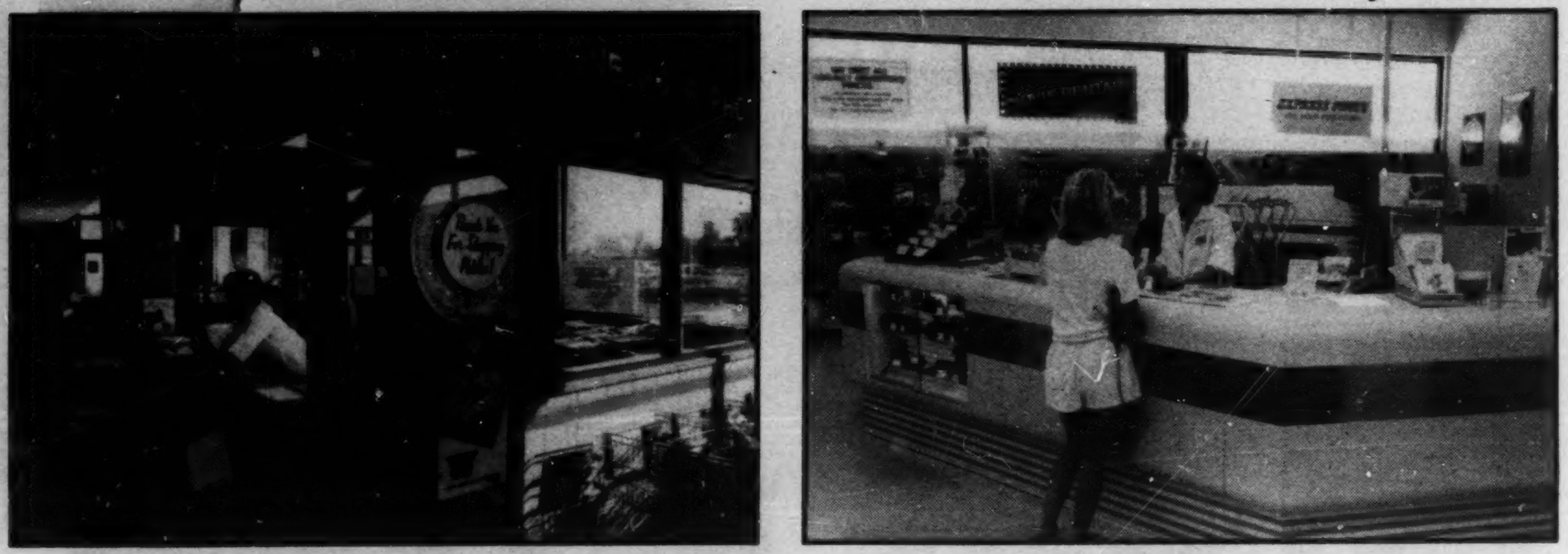


Publix(left) and Eckerd(right) are engaged in a one-hour photofinishing war; customer traffic is the prize.

Eckerd, Publix squabbling over photofinishing market

By James Frederick

Merchandising Spotlight

CLEARWATER, Fla. — For the first time in their respective histories, the romance between Eckerd Drug Co. and Publix Super Markets is cooling over growing competition for the same retail dollar. At stake are not only food and pharmacy dollars, but Florida's growing photofinishing business.

The two chains had developed a close working relationship as shopping center partners during Florida's boom over the last two decades, often with Publix as landlord-developer and Eckerd as tenant. Their relationship was marked by restraint and a clear definition of what constituted their areas of merchandising.

Now, those ties are being strained as each chain encroaches on the other's turf with new ventures like one-hour photofinishing and a generally broader approach to retailing. Their changing relationship mirrors the shifting retail climate throughout the U. S., as demands for one-stop shopping and other conveniences intensifies competition, eroding the barriers between different classes of trade.

In Florida, the relationship between Eckerd and Publix began to erode several years ago. Eckerd began offering some convenience foods and beverages in many of its stores, and Publix stopped building conventional food stores in favor of superstores, which feature a larger mix of H&BA, cosmetics, greeting cards and automotive supplies.

Publix took off its gloves in earnest in 1986, unveiling its new food/drug combo prototype, called Publix Food and Drug. The 334-store supermarket chain has since opened 12 superstores with pharmacies in Florida, and this year will unveil perhaps a dozen more.

"Last year we opened 29 stores in Florida, and this year we hope to at least equal that," said Clayton Hollis, a spokesman for the nation's 10th largest supermarket chain. "Those stores will feature a blend of superstores and combo stores

Continued on page 9

Fantle joins *DrSN* Board of Advisers

Fantle

LANDOVER, Md. — Jeffrey Fantle, president of the 85-unit Dart Drug Stores chain, has joined the *Drug Store News* Board of Advisers.

Like his co-board members, Fantle will help enhance the overall quality of *Drug Store News'* reporting by helping its editorial and management staffs identify key trends within the retail drug industry.

Fantle joined his father, Sheldon "Bud" Fantle, and an investor group in assuming control of financially troubled Dart in recent months. They quickly established a new top management team, and have set plans in motion to fortify the chain's image with its varied publics.

The younger Fantle served 16 years at Peoples Drug Stores, ending his tenure there with a one year stint as executive vp of store operations. Prior to holding that post, he was president of the Lane division in Cleveland for four years.

After Fantle resigned from Peoples last June, he joined his father, former Peoples chairman, in the Fantle Enterprises startup which is now at the helm of Dart.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

CHICAGO, 1928 — A giant all metal Sikorsky amphibian airplane, capable of landing or taking—off on land or water, has just been delivered to the Municipal Air Port in Chicago for Charles W. Walgreen. This magnificent plane, a veritable flying yacht, was built for the Walgreen Co. by the Sikorsky Manufacturing Corporation on Long Island at a cost of more than $54,000.

50 years ago

BINGHAMTON, N. Y., 1938 — Rubber goods were promoted by a novel stunt at the Hewitt drug stores, Binghamton, N. Y. Since the feature of the drive was a moderately-priced hot water bottle, each salesman wore on his lapel a toy hot water bottle. Lettered on the bottle were the words, "Ask the clerk."

40 years ago

LOS ANGELES, Calif., 1948 — A photostat making service is being featured at photographic departments of Thrifty Drug units in Los Angeles. Counter signs advertise the service and suggest items which the customer might want to have photostated—various types of valuable papers and documents.

30 years ago

INDIANAPOLIS, 1958 — Involved in a price war in Indianapolis, Haag Drug recently advertised some 245 popular items at below list with this headline: "Haag's everyday new low prices."

20 years ago

CLEVELAND, 1968 — An award marking the milestone of 40 million prescriptions filled by Gray Drug Stores of Cleveland, was presented to Gray founder Adolph Weinberger by J. Harris Fleming, trade relations director for Pfizer Laboratories. The presentation was made at the chain's 40th anniversary banquet.

10 years ago

MINNESOTA, 1978 — During the mid-Januray blizzard, Hook Drug flew employees to work by helicopter. In Saline, Minn., an Arbor Drug pharmacist rode in on his snowmobile. Stories such as these were commonplace in the Midwest as the worst storm in 30 years hit. However, drug chains throughout the region responded quickly to the crisis, in some cases braving the weather to make life-saving emergency deliveries of medicine.

One-hour labs take photofinishing market lead

Drug stores have been knocked from their position of market leadership, but business is still healthy, thanks to the point-and-shoot camera

One-hour mini-labs are making such major gains in the photofinishing business that over the past year they knocked drug stores off their long-time perch as the nation's leader in film processing.

The total market for photofinishing services again scored healthy increases last year, with sales up 9 percent to $4.36 billion, according to the Photo Marketing Association (PMA). In 1987 as in 1986, the growth in business was fueled by the booming popularity of a new generation of low-cost, easy-to-use point-and-shoot 35mm cameras, which have transformed the amateur photography market, boosted picture-taking and rejuvenated the photo processing business.

More and more, the new business goes to the one-hour labs. Almost overnight, the mini-lab format has taken hold in virtually every U. S. market. Installations have grown to nearly 15,000 nationwide at the end of 1987, compared with 11,900 in 1986, PMA said.

The one-hour labs now process a market-leading 29 percent of all film rolls, up from 23.7 percent a year earlier. That growth in share has come at the expense of drug stores, supermarkets and drop-off kiosks, each of which lost about two share points in unit volume last year. Drug stores account for 24 percent of the processing business in the U. S., compared with 26 percent in 1986.

The boom in one-hour photofinishing is strongly rooted in demographic shifts and technological innovations. Also, the rise of dual-income families has made convenience and time savings an even bigger concern than price for many picture-takers. At the same time, a new generation of serious amateur photographers has emerged, and mini-labs have been quick to recognize their needs.

Drug store photofinishing market share dropped to 24 percent last year. Above is an H.E. Butt counter in San Antonio.

Moreover, the development of highly automated, high-quality processing machines, including new "washless" developers and printers which require no special plumbing, has put the installation and operation of one-hour labs within reach of almost any business. Noritsu, Copal, Fuji and Kodak are among manufacturers who have introduced easy-to-use, compact mini-labs for in-store turnkey operations.

"The rise of mini-labs is due to a combination of things, including convenience, a new level of quality perception on the part of amateur photographers, a lowering of costs and other factors," said Ted Fox, editor of the PMA's *Industry Trends Report*. "A lot of the labs are specialists who cater to the quality concerns and egos of their customers."

For many chains, the one-hour trend is worrisome, despite the overall growth in business. "We've got one-hour labs springing up all over the place, and it's very competitive," noted one chain executive.

"The independents are going to get killed in this market unless they're smart and market their services aggressively," added the photo manager for a Midwest chain. "They're going to need 2,000 regular customers to survive. It's hard, but that's the name of the game."

A few drug and supermarket chains have responded to a shifting market by opening their own mini-labs. Among them are Eckerd Drug, which already has several dozen Eckerd Express centers on-line in Florida stores; Walgreens, Fred Meyer, Ralph's and Meijer/Thrifty Acres.

Others, including Longs Drug Stores and Raley's Food and Drug Centers, are considering the business. "We're still very interested and we're still reviewing the concept," explained Longs photo merchandiser Mark Holz. "We look at it as just another convenience for the consumer.

"We did a couple of tests (of one-hour in-store labs) a few years ago in Redwood City, and they weren't successful for a variety of reasons," Holz continued. "Now, the technology and concept has changed enough that those reasons would no longer keep us out of the business. Besides, certain expectations were put on the earlier labs that weren't realistic, including the fact that they were originally intended for processing work for surrounding stores as well as their own. We found that wouldn't work," he said.

Most drug chains, however, are still holding back on a commitment to in-store labs, despite the breakthroughs in equipment technology and increasing consumer acceptance. Besides the expense involved, the centers demand precious retail space and trained staffers. Thus, even chains which moved early into one-hour photofinishing have moved cautiously.

"It isn't easy for us to go in and open these labs in our stores," said one chain drug photofinishing manager. "The machines are smaller than ever, but we have a problem finding space for a full setup. We're not jumping on it yet, because there's still a lot to be decided in terms of how profitable or worthwhile they'd be on a big scale."

Many chain photo managers echo that cautious approach. Walgreens, for instance, has kept its one-hour operations confined to a single location in Chicago and another in Puerto Rico for several years while it assesses the feasibility of a broader approach. Other major chains, including Rite Aid and Osco, have avoided the mini-lab concept entirely.

"We're not in the business at this time, and probably never will be," Rite Aid executive vp Martin Grass told *Drug*

Continued on page 10

Photofinishing market share by outlet
(In percent)

	1986	1987*
Mini labs	23.7%	29%
Drug stores	26.0	24
Discounters	16.7	17
Supermarkets	13.0	11
Mail order	9.0	9
Specialty stores	7.5	8
Kiosks & other	4.1	2

*Note: 1987 share figures are preliminary estimates

Source: Photo Marketing Assoc.

Will consolidation lower wholesale prices?

The rapid consolidation of the wholesale photofinishing industry may lead to lower rather than higher film developing prices for retailers which depend on outside finishing labs, an industry expert told *Drug Store News*.

"I predict a gradual lowering of wholesale prices, but it will take time before all the elements are in place for that to happen," said Ted Fox, editor of the Photo Marketing Association's *Industry Trends Report*.

Fox says new breakthroughs in wholesale automation are the key to lower prices in the future. "Wholesale processing is going to become even more automated than it is now, thanks to the efforts of Fox Photo [recently acquired by Kodak] and others," he said. "The new automated equipment may lower labor costs as much as 60 percent."

Another mitigating factor in wholesale pricing is the increasingly dominant role being played by Kodak, which has led an industry-wide consolidation with several key acquisitions to become the leading player in photofinishing. Kodak, said one industry expert, is more interested in maintaining its key retailer relationships than in squeezing extra profits from its wholesale developing operations.

"For Kodak, it's a matter of prioritizing," said the analyst. "Kodak's number-one goal in wholesale development, as in other ventures, is in how those efforts relate to their film sales. Their whole photofinishing effort is oriented toward maintaining and boosting their film business."

Kodak launched a joint venture last December with Fuqua Industries, the owner of Colorcraft, to form the largest force in wholesale film processing. Together, the two firms now account for almost 70 percent of all wholesale developing business and at least 25 percent of total U. S. photoprocessing activity, according to the PMA's Fox.

Eckerd-Publix foto finished?

Continued from page 2

with pharmacies."

In the latest round of competition, the two chains are locked in a battle for the one-hour photofinishing market. Eckerd has moved rapidly in Florida to get a jump on the one-hour business, doubling the number of in-store one-hour developing labs in its Florida stores in less than a year, and unveiling an extensive advertising program to promote the service, featuring actor Robert Lansing as company spokesman. The chain already has 62 one-hour labs operating in its home state, according to a spokesperson.

Publix has responded with its own aggressive salvo in the photofinishing war. Since early 1987, the supermarket chain has opened at least 15 one-hour mini-labs in its stores, including one which shares shopping center space with an Eckerd one-hour center. The results have been hefty sales increases, said Hollis, and many more will follow.

"We're going to continue increasing the one-hour labs in size and numbers," he said. "We're trying to open them wherever we open a new food-and-pharmacy location, and we've added cameras, watches and video rental to the service counters as a customer convenience."

To date, both chains have found success with the one-hour concept, including increased traffic and higher photofinishing sales. Just how closely the two retailers can coexist in the future, however, remains in doubt.

"It is competition," admitted Hollis. "In the area of one-hour photofinishing, we're both after the same customer."

TRENDS

Success of auto-focus 35mm units drives camera market

Like few other recently introduced products, low-priced, automatic 35mm cameras have captured the hearts and pocketbooks of U. S. consumers. In so doing, they have also elevated amateur photography to a more serious, quality-oriented level and sparked new life into the huge, $4.4 billion photoprocessing industry and the $2 billion film business.

"The growth is all in 35mm," noted one chain drug executive. "We're going to see bigger increases in photofinishing than originally projected over the next couple of years, and it's because of the new point-and-shoot 35s and a more serious amateur photographer."

Sales to dealers of auto-focus 35mm cameras were up substantially again last year to about 7 million units, compared with 5 million in 1986, according to the Photo Marketing Association. Part of that growth was incremental, but much of it came at the expense of the waning disc camera format, whose sales in 1987 dropped to about 1.8 million units from 3 million the previous year.

In late January, Eastman Kodak responded to the continuing decline in disc camera popularity by indefinitely suspending production of the disc and introducing two new 35mm models of its own.

"Demand for the disc has fallen off due to the increasing popularity of 35s," Kodak spokesman Ted Peterson admitted. "We had excess capacity and inventories, so we suspended disc manufacturing operations to balance operations."

Peterson said Kodak would resume manufacturing the disc "if necessary" once the inventory backlog had cleared, and added the company would continue to produce and market disc film for the 25 million Kodak disc users who purchased the camera since its much-heralded debut in 1982. "We have a lot of satisfied disc users, and to let them down is not in the best interests of anyone," he said.

Some market analysts predict Kodak's decision to suspend production could doom the disc format, but none called the disc a failure. "Any product that can generate sales of 25 million units is a success in some measure," observed Michael Ellmann, an analyst with Wertheim & Co.

Indeed, Kodak stands to benefit enormously from the success of auto-focus 35mm, both through film sales and through its own reentry into the market for 35mm cameras last year through its five-model K line. The company last month unveiled two new 35mm auto-focus models, and officials indicated that more would follow through aggressive research and development programs.

Kodak's newest models are the S100EF, a manual camera with build-in flash, fixed focus and a low SRP of $59.95, and the S900, with automatic focus, flash override, dual wide-angle and telephoto lenses, and an SRP of $229.95.

"A lot of people were asking for the dual lens feature, and this is our answer to that," said Peterson.

Indeed, the demand for more lens options on the point-and-shoot 35s is leading to a surge of new model introductions from many manufacturers. Dual-focus cameras pioneered by Fuji and other manufacturers are gaining an increasing share of the automatic 35mm market, and several manufacturers, including Chinon, Olympus, Pentax, Panasonic, and Vivitar, are bringing newly developed zoom-lens auto-focus models to the United States.

"There will be almost 20 dual- or zoom-lens cameras on the market before the end of this year," predicted one industry analyst.

Fuji, which introduced one of the first dual-lens cameras in the TW300, has added two new models which advance the concept. The DL-250 Tele and DL-400 Tele models feature motorized slide switching from wide-angle to telephoto, as well as drop-in loading, automatic film advance and other conveniences. The DL-400 model also offers an automatic macro focusing mode for close-up shots, an autofocus override system for landscape photography, and other features.

The DL-250 and DL-400 models have respective SRPs of $259.95 and $329.95.

In its lower-priced line of auto-focus 35mm cameras, Fuji has also added the DL-7, featuring easy controls and lightweight design, at a suggested retail price of $49.95.

Two segments of the amateur photo market have held up extremely well in the face of the 35mm revolution. One is the pocket 110 format camera, whose sales still number in the millions every year; the other is the instant photography market held by Polaroid.

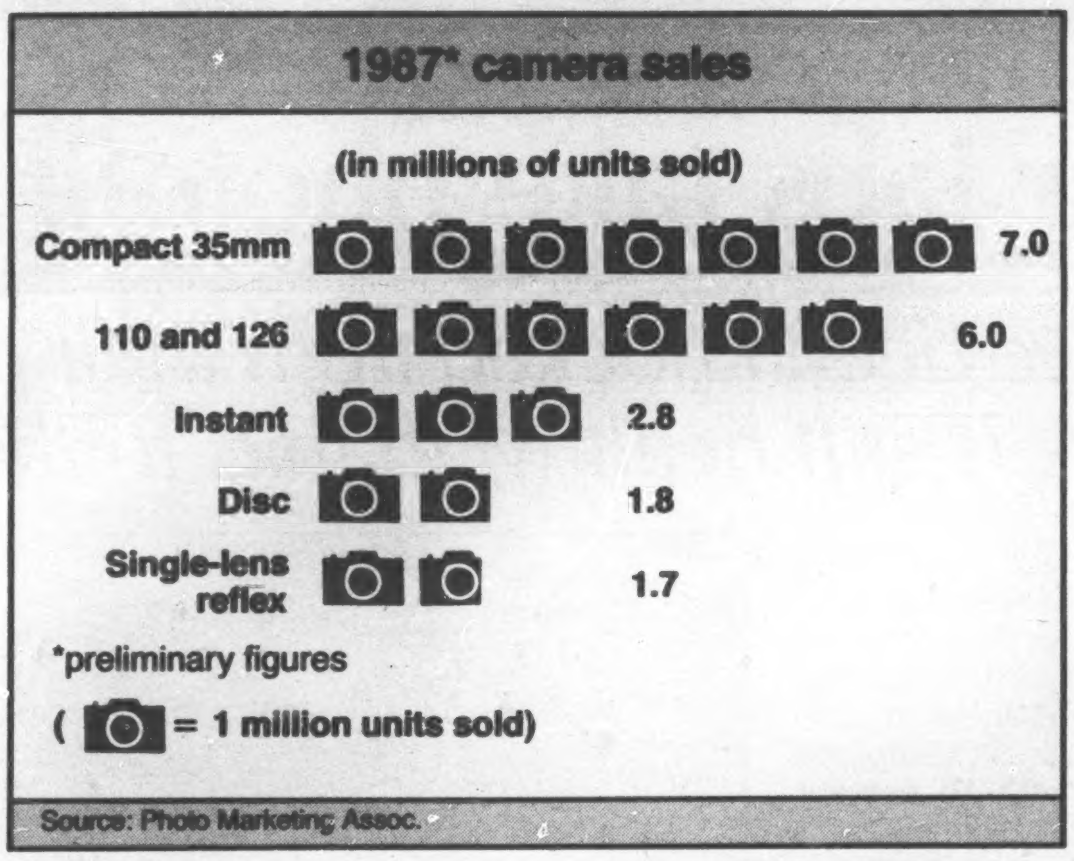
Aided by the rollout of the Spectra camera system two years ago, Polaroid has maintained high consumer awareness in instant photography. This year, the company is going after the youth segment with the introduction of Cool Cam, an easy-to-use instant model featuring bold designer colors and color-coordinated camera shoulder bag and designer sunglasses.

At a suggested list of $40 to $45, Cool Cam comes with built-in auto flash, fixed focus and automatic exposure for light and dark conditions.

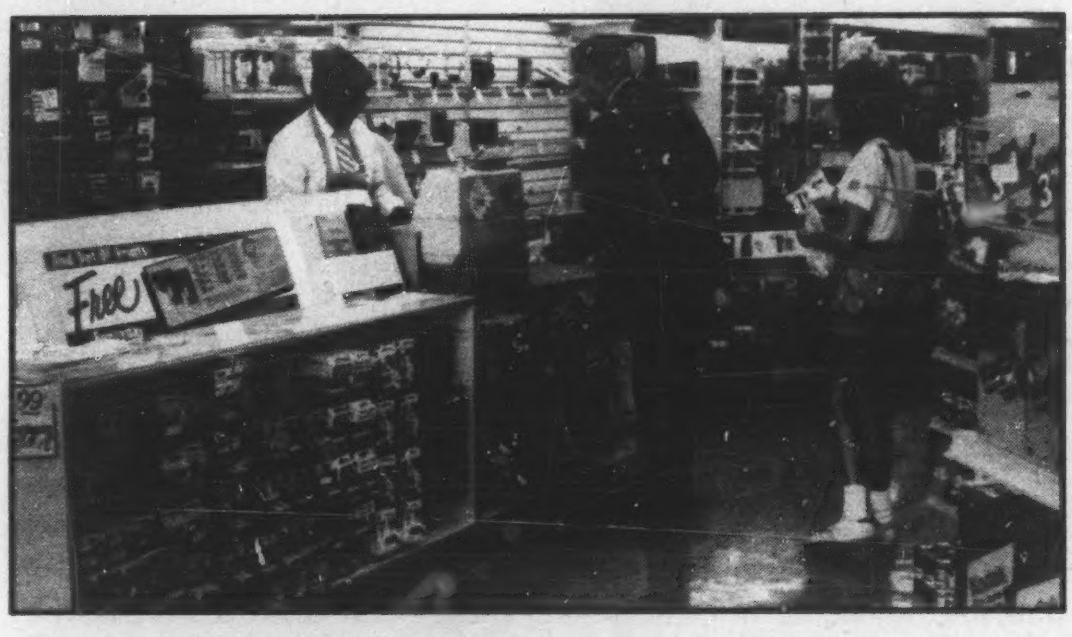
Polaroid is also rolling out a more advanced film for its 600-series instant cameras, called 600 Plus. The film incorporates the advanced chemistry of Spectra film technology for higher quality prints, according to spokesman Greg Venne.

Also under development by Polaroid [with other manufacturers simultaneously developing similar technologies] is an electronic imaging system for use in still cameras. The system, which may be ready for market by the early 1990s, will feature electronic magnetic floppy discs for image storage rather than film.

"You'll be able to insert the disc into a monitor which reads the electronic data and displays it on a TV screen," Venne said. "You can then choose and print the shots yourself with an image printer."



Source: Photo Marketing Assoc.



The photo department at SupeRx, Nashville, Tenn.

One-hour labs lead market

Continued from page 9
Store News.

Many supermarket chains are also moving cautiously in the mini-lab arena. Kroger Co., for instance, is assessing results before getting further into the business. "We opened a one-hour lab in our Greenville Wellcome store, but we're not going to put them in new Wellcome stores," a spokesperson said.

Despite the progress made by the one-hour segment of the business, drug chains remain a potent force in photofinishing through aggressive marketing, a continuing move toward high-quality processing and faster-than-ever turnaround times. Walgreens, for instance, maintained a 20-percent sales increase in its photofinishing business last year, and Arbor, whose "Picture, Picture" marketing program has won a major share of the Michigan photo market, achieved a 25-percent increase in photofinishing and film sales last year. Arbor offers two prints for the price of one at all times, as well as guaranteed overnight delivery seven days a week.

Osco spokesman John Kromer, meanwhile, said he could not comment on the chain's future plans for in-store labs, but added that the chain's next-day Osco Photo Express service was benefitting from the growth in the photofinishing business. "It's more and more competitive, but it's a great thing what the manufacturers have done with 35mm photography," Kromer said. "They've gotten more and more away from pocket cameras and into higher-quality photography, and it's driven our processing business. We've marketed print quality from day one."

Osco's operation is vertically integrated, meaning the company relies on its own in-house developing lab, called Crest Photo, to achieve a one-day print processing turnaround chainwide.

According to the PMA's Fox, 35mm now accounts for almost two of every three exposures processed in the United States.

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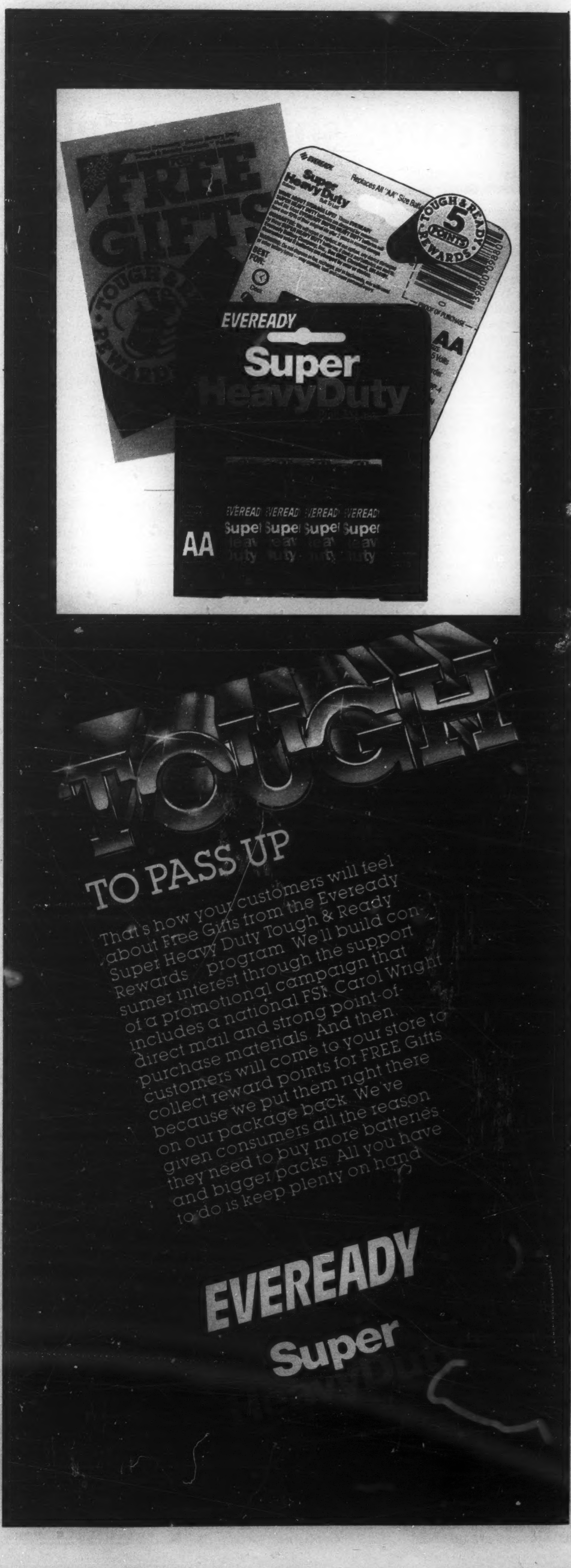

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Mass-market hair care retail sales

Retail segment	Sales (in millions of $)	% change (8/87 vs 8/86)
Drug stores	$1,364.2	0.2%
Food stores	1,541.4	2.6
Mass merchandisers	838.8	5.4
Total	$3,744.4	2.3

Hair care: Market shares by retail segments

Retail segment	1987	1986
Drug stores	36.4%	37.2
Food stores	41.2	41.1
Mass merchandisers	22.4	21.7

Drug store hair care sales by segment

Segment	Sales (in millions of $)	% change (8/87 vs 8/86)
Hair fixatives (sprays)	$275.7	8.8%
Hair color	263.8	6.6
Shampoos	251.1	1.1
After-shampoo conditioners	246.0	(1.2)
Ethnic hair preps	154.1	(6.8)
Home waves	64.5	(7.8)
Mousse	58.1	(16.8)
Men's hair preps	50.8	(0.4)

Source: Nielsen Marketing Research

Nielsen data: Drug stores still losing hair care share

Hair care sales in drug stores on a year-to-year basis are still flat, A. C. Nielsen reports but mass merchandise stores are generating a 5 percent growth rate on the category, and food channel sales of hair care are up 2.6 percent.

That, of course, means that drug stores are still losing share on hair care items. According to Nielsen Marketing Research, drug stores had a 36.4 percent share of total mass market hair care sales in 1987, down from 37.2 percent for the same period last year.

Mass merchandise stores picked up most of the growth. Nielsen says their share went from 21.7 percent last year to 22.4 percent in 1987.

Nielsen says hair sprays, or what they call hair fixatives, is the fastest growing segment in mass-market hair care. Spray sales were up nearly 9 percent in 1987 versus 1986, Nielsen says, while hair color was the other strong growth segment, with a gain of 6.6 percent. Nielsen doesn't track gel and spritz sales seperately so they can't confirm the growth that retailers say they have been seeing in these segments.

Nielsen does track mousse, however, and that segment is down 16.9 percent. The drop in mousse sales is occurring because many consumers are switching to gels and spritzes, which provide a stronger hold for today's popular hair styles.

Pro products buoy hair care

Continued from page 53

fessional gel, is still very hot for us," says Monk, "but I'm getting good growth too from Dippity-Do, Studio Line, and Dep which is very good. Gillette also has a new Dippity-Do in a pump which I think will also be very good."

"In shampoos and conditioners, we do the best with the lower priced products," he says. "We promote White Rain for 99 cents two times a year, and when we do we may buy as much as 5,000 dozen cases for the promotion, and we do move most of it.

"But we also do well with some of the higher end brands, particularly Sassoon, and Pantene which do very well for us," says Monk. "Jhirmack is fair, and the Clairol shampoos and the sprays are all very strong for us."

Price competition hurts, according to Monk. "Wal-Mart has also been very price competitive on Ivory and that hasn't helped because I'm a much smaller chain and I can't meet their prices."

Monk says he has the same problem with Revlon's Flex. "It doesn't do very well for us because we have too much price competition from other chains."

Professional hair care

Monk allocates four feet to professional hair care products in most of his stores, and the rest of his smaller stores carry at least some professional hair care products. Monk says he will probably create a planogrammed section for the smaller stores later this year.

Because Monk considers professional hair care "a good growth area for us," he's also put some of the faster turning items like sprays and styling

Continued on next page

Pharmacy operations showed strength in '87

DrSN *survey notes gains in dollar volume, productivity*

NEW YORK — Last year was a time when many independent and chain pharmacists battled on issues that threatened their profession, such as physician dispensing, mail order pharmacy, and exclusive HMO contracts. Still, pharmacy departments managed to record strong gains in dollar volume, script count and pharmacist productivity.

Key indicators in *Drug Store News/Inside Pharmacy's* exclusive pharmacy operations study show that some of the strongest pharmacy performance gains were in the number of prescriptions filled daily per pharmacist, annual prescription sales, and average prescription department dollar transaction.

But an influx of third party programs prescriptions, with their emphasis on strong bottom line cost containment measures, precipitated a drop in prescription department dollar margins at chain stores. Independents posted a slight increase in prescription gross margins.

Rx dept. remains strong

Prescription departments continued to drive a hefty portion of store sales in 1987, accounting for nearly one-third of chain drug store sales and 60 percent of independent drug store sales.

For many drug stores, 1987 was a year that placed a greater emphasis on the prescription department. Several independents and chains nationwide launched impressive advertising campaigns extolling the virtues of their pharmacists and the technology of their prescription departments. The results were clear, an almost $61,000 increase in prescription sales (and an 8 percent increase in the average dollar transaction at the prescription department cash register) for the chains and a nearly $54,000 gain for the independents (with almost a 9 percent increase in the average dollar transaction at their prescription cash registers).

While some of the increased prescription sales can be written off to inflationary dollars and a higher prescription price (an average of $15.40 for the chains and $14.50 for the independents), the study showed that, on average, a pharmacist in both a chain and independent drug store setting filled more prescriptions without adding pharmacists to staff. The number of scripts filled per day by a typical chain pharmacist averaged 106, up six prescriptions from the year before. The average number filled by an independent pharmacist was 90, up seven from 1986.

Although pharmacists were carrying a heavier load in

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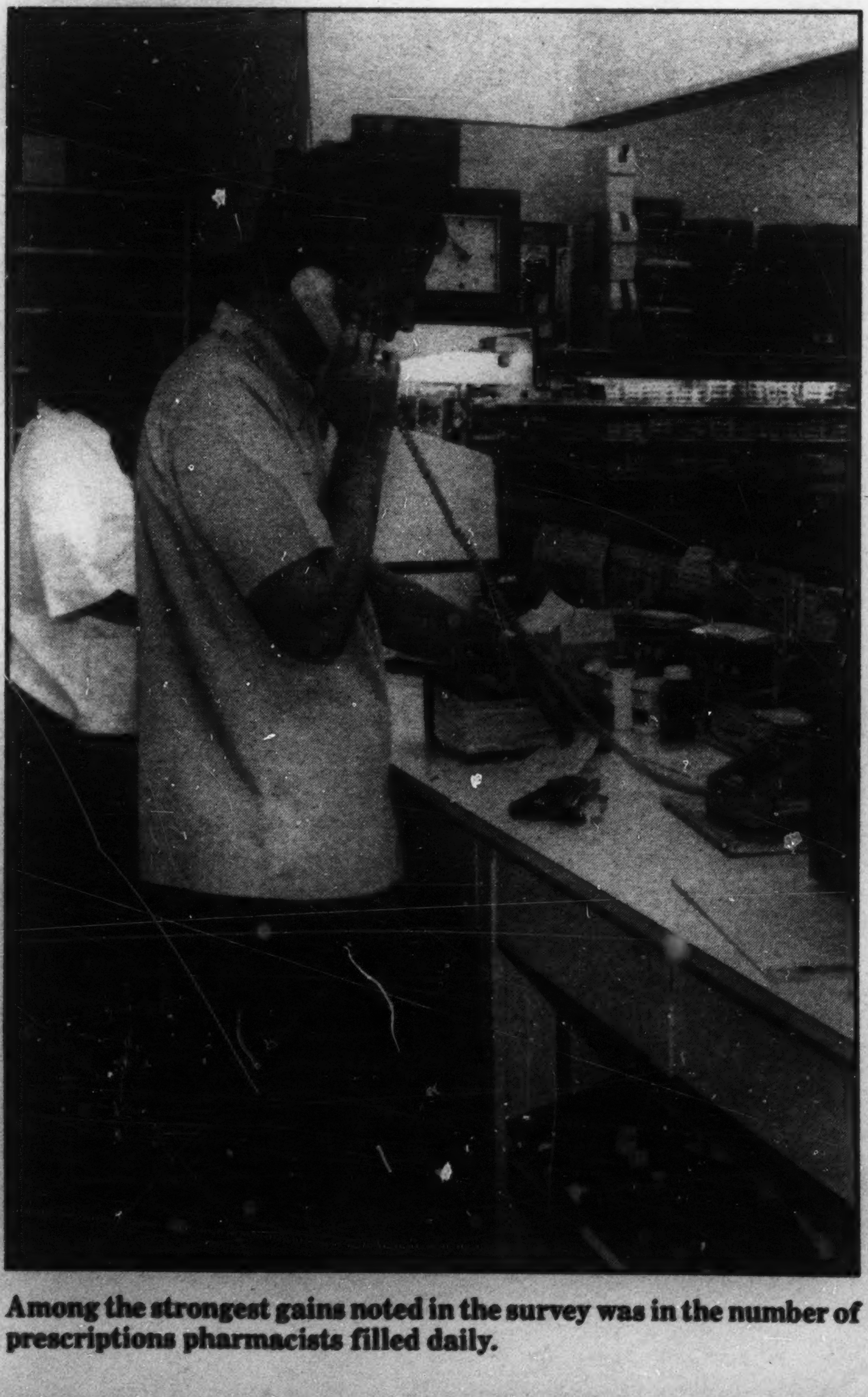

Among the strongest gains noted in the survey was in the number of prescriptions pharmacists filled daily.

Third party prescription analysis

	1986		1987	
	Chain	Independents	Chain	Independents
Average number of third party plans accepted	17.7	10.6	20.0	12.2
Average percentage of Rx dept. sales accounted for by third party scripts	24.2%	33.9%	27.5%	37.9%
Percentage of third party scripts filled electronically	62.8	65.6	70.1	71.8
Percentage of pharmacies that do not fill any prescriptions electronically	18.0	27.0	16.0	20.0

Source: Lebhar-Friedman Research

Analysis of Prescription Inventory

	1986		1987	
	Chain	Independent	Chain	Independent
Dollar inventory at cost	$60,300	$57,100	$72,200	$60,000
Average annual Rx inventory turns	8.2	7.4	8.6	7.7
Percentage of drug inventory that is branded vs. generic				
Branded	82%	75%	78%	70%
Generic	18	25	22	30
Percentage of chain Rx product purchased at corporate vs. store level				
Corporate	18	—	19	—
Store Level	82	—	81	—
Method of distribution of chain Rx inventory:				
Delivered from manufacturer directly to store	14	—	12	—
Delivered from manufacturer to company warehouse	13	—	12	—
Delivered from wholesaler directly to store	66	—	69	—
Delivered from wholesaler to company warehouse	6	—	6	—

Source: Lebhar-Friedman Research

Analysis of Rx department personnel

	1986		1987	
	Chain	Independent	Chain	Independent
Number of pharmacists employed in average Rx dept.	2.2	2.1	2.2	2.2
Average number of hours a day worked by pharmacist	8.9	9.3	8.7	9.2
Average number of days per week worked by pharmacist	5.2	5.6	5.2	5.6
Average number of pharmacy techs employed in Rx dept.	1.7	1.8	1.7	1.8
Average number of pharmacy clerks employed in Rx dept.	1.6	1.8	1.7	1.9
Average percentage of pharmacies not employing techs in Rx dept.	10.0%	40.0%	6.0%	32.0%
Average percentage of store managers who are pharmacists	56.2	67.0	53.7	66.5
Average percentage of pharmacists who are also store managers	37.5	58.5	35.4	57.6

Source: Lebhar-Friedman Research

Rx depts. show strength

Continued from page IP10

1987, it was eased somewhat by a substantial increase in the number of pharmacy computer systems and more pharmacy technicians at chains and independents.

While the controversy among pharmacists on whether to recognize and certify pharmacy technicians rages on *(see story page IP12)*, the study revealed that they were certainly a boon to the productivity of the typical prescription department in 1987.

The study revealed that pharmacy technicians were a boon to productivity of the typical Rx department.

The survey showed that the average number of pharmacy technicians remained the same in both chain and independent drug stores, but uncovered a 4 percent drop in the number of chain pharmacies *not* employing technicians. The independent sector reported an overall increase in hiring pharmacy technicians.

But probably most significant boost to the pharmacists' productivity in 1987 was the installation of pharmacy computer systems. According to the study, only 16 percent of chain pharmacies surveyed said they do not fill any prescriptions electronically, while 20 percent of the independents said they are currently not using computers to aid them in filling prescriptions.

Even the use of personal computers in drug stores has made strong inroads as prices on these computers began to drop dramatically. Managers have embraced personal computers to do payroll, inventory control, pricing and employee scheduling. The chains reported a 7 percent increase in the use of personal computers; independents reported an increase of 4 percent in their stores.

The increase in third-party programs offering a prescription drug benefit package has propelled computer installations in pharmacies.

According to the study, both chain and independent drug stores reported an addition of nearly three third-party programs to their already crowded third-party prescription log. On average, the chains reported catering to 20 third-party programs while independents said they fill prescriptions from approximately 12. Because of the billing requirements from most third-party prescription programs, it was no surprise to discover that 70 percent of all third-party prescriptions filled by chain pharmacists and 72 percent of those prescriptions filled by independents are done on a computer.

3rd-party 'scripts take toll

But while third-party prescription may be welcomed by some, especially the generic industry, it has taken its toll on others. Branded pharmaceutical companies continue to wage a war against generics since most of the third-party programs require substitution of branded drugs with generics. Carrying more generics caused an increase in prescription inventories, which was reflected in the study.

The average chain drug store reported an increase of approximately $12,000 in prescription inventories (at cost) while independents, who fill less prescriptions overall, reported an increase of nearly $3,000 to their inventories.

But as one looks at the big picture in prescriptions inventories, branded pharmaceuticals still make up the lion's share of prescription department products by nearly a three to one ratio of branded to generic products.

Probably the most significant boost to pharmacists' productivity in 1987 came with the installation of computer systems.

Average annual salary profiles

	1986		1987	
	Chain	Independents	Chain	Independents
Staff pharmacists	$35,200	$29,200	$37,200	$30,500
Rx dept. managers	36,900	33,300	39,300	33,500
Pharmacists/store managers	41,000	36,900	43,400	38,700

Source: Lebhar-Friedman Research

Productivity of average Rx department

	1986		1987	
	Chain	Independent	Chain	Independent
Average number of scripts filled per day by pharmacist	100.7	83.3	105.6	89.8
Average percentage of scripts which are new vs. refills				
New	53.0%	51.4%	53.3%	51.6%
Refills	47.0	48.6	46.7	48.4

Source: Lebhar Friedman Research

Prescription department profile

	1986		1987	
	Chain	Independent	Chain	Independent
Average number of hours per day prescription dept. is open to public	12.5	10.9	12.4	10.8
Average number of days per week prescription dept. is open to public	6.8	6.5	6.8	6.5
Annual prescription sales of an average Rx dept.	$639,700	$495,900	$700,500	$549,700
Average percentage of store sales accounted for by Rx dept.	34.0%	58.5%	34.1%	59.5%
Percent margin in average Rx dept.	30.5%	32.1%	30.2%	32.2%
Average retail Rx price	$14.10	$13.70	$15.40	$14.50
Average dollar transaction at Rx dept. cash register	$17.10	$16.80	$18.50	$18.30
Average number of items purchased in typical Rx dept. transaction	3.5	3.0	3.7	3.1
Size of average Rx dept. (sq. ft.)	405	342	408	350
Average percentage of stores equipped with a pharmacy computer system	69.8%	72.7%	82.9%	79.8%
Average percentage of stores equipped with personal computers	29.7	41.8	36.7	45.9

Source: Lebhar-Friedman Research

New York pharmaceutical group launches 3rd-party plan survey

NEW YORK — The Empire State Pharmaceutical Society has launched a membership survey on the efficiency of third party plans. The Society plans to use the results to support lobbying efforts to regulate third party plans in New York State.

According to Jerome Sager, the society's executive director and counsel, the survey is being conducted to produce data supporting the organization's claim that difficulty in dealing with third party administrators is the biggest problem its constituency faces.

"Third party administrators unilaterally make changes on a daily basis that even pharmacists with computers can't keep up with," said Sager. "The administrators are running rampant, doing whatever they want. We intend to have our lobbyist present the results to the state legislature." Results of the survey, which Sager said had a 98 percent return, are expected in January.

Sager specifically faulted third party administrators for a reimbursement lag time he said often averages over 45 days, the inability of administrators to solve billing problems by telephone, an overabundance of key punch errors and "price changes which are terribly behind what they should be."

Court nixes pharmacist's video rentals

NEW YORK — Independent pharmacist Norman Pernick, cashing in on the recent trend of drug stores to rent videotapes, inadvertently found himself in New York State Supreme Court. Pernick was forced to discontinue his videotape rental out of his Birchwood Pharmacy in the Bayside section of Queens, N. Y.

When his landlord ordered him to terminate rentals of videotapes, Pernick thought he had recourse. Then his landlord took him to court.

Pernick, citing the rental of video tapes as an expanding part of pharmacy/drug store business throughout the country, held that videotape rental did not violate the restrictive use of the premises as a drug store.

While the court agreed that modern drug stores indeed sell a variety of convenience items found in other stores in addition to dispensing drugs and selling traditional health related items, it found that terms of a lease must be carried out to the parties' intent.

Items other than medicine can be sold on the stores' premises, the court said, as long as those items do not compose more than a minimal part of the retailers' business. The court found that Pernick's rental, repair and sale of video tapes and video equipment was more than incidental, therefore, it violated terms of the lease.

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A look at Peoples' 'Boss' prototype
— Page

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DRUG STORE NEWS®

Vol. 10/No. 6 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. March 14, 1988

Brooks' prototype bows

Bold colors and striking graphics characterize the exterior of Brooks' new 7,000-square-foot prototype which had its grand opening in Plainville, Mass., late last month. The store is a good example of the 180-degree turn Brooks has taken in the past year under new management. See *In the Market*, page 6.

SupeRx, Rite Aid battle for control of Begley Co.

Lawsuits fly; shareholders must decide

By Dave Vaczek

RICHMOND, Ky. — SupeRx Corp. raised its offer for the Begley Co. by $8 to $29 a share, after Rite Aid Corp. said it would pay $28 a share in a merger agreement it has made with the Kentucky chain's board.

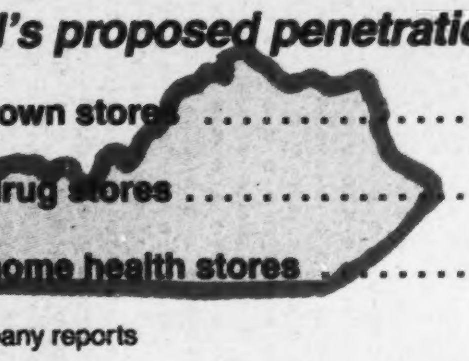
SupeRx said its offer—made by letter to the Begley board March 1—is contingent on Begley recinding the agreement with Rite Aid, which has offered to buy all Begley shares, and make the company a wholly-owned subsidiary.

A spokesman for Begley told Drug Store News at press time the company feels that SupeRx's offer "came in too late."

The sweetened bid by SupeRx came in a tumultuous week in which Rite Aid had first proposed to buy just Begley's drug store business, and Begley management said it would launch a $25-a-share tender offer for the remaining dry cleaning business and

See **Begley,** *page 71*

Rite Aid's proposed penetration



Rite Aid's own stores	.32
Begley's drug stores	.43
Begley's home health stores	.6

Source: Company reports

Revco says some units must go

Chain eyes market positions that are 'not defensible'

By James Frederick

TWINSBURG, Ohio — Revco D. S. is planning to sell a number of stores where its market penetration or store performances are considered marginal, and is near a decision on which stores will be sold. The plan may call for the chain's withdrawal from some secondary markets, a spokesperson said.

"We will be divesting some stores, in specific markets that have not yet been identified," said Revco spokesperson Kathleen Obert. "The company is close to being able to identify those parts of the chain where we feel our market position is not defensible, often because we have too few stores in that market. The closings will not always be related to near-term store performance."

Obert emphasized that the plan will involve a relatively small number of the chain's total stores. "We're not talking about hundreds of stores, as some rumors have had it," she said. "In terms of our total, this will concern only a small percentage of our stores."

She also described as "totally false" rumors that the chain was considering the sale of its North and South Carolina stores. "That is one of our strongest areas, and we intend to stay there," she told *Drug Store News*. "At this time we don't foresee selling any stores there."

The store sales will probably occur over the next six months, she added.

In December, Revco completed the sale of 19 Texas stores to Panama City, Fla.-based City Drugs. The sale satisfies anti-trust provisions in Dallas/Fort Worth and other markets several years after Revco's purchase of the old Skillern's chain, and completes an agreement the chain reached at that time with the Federal Trade Commission.

Revco is also negotiating, with an unnamed firm, the sale of its Odd-Lot closeout merchandise division, Obert confirmed. Odd-Lot has experienced disappointing earnings since its purchase by Revco three years ago.

Segneri resurfaces as a regional veep

TWINSBURG, Ohio — Chain drug veteran Orlando Segneri has joined Revco D. S. as a regional vp in charge of the eastern region, where he will oversee all aspects of the operations of 430 stores in Ohio, West Virginia, Virginia, Pennsylvania, Maryland, Delaware and New York.

Segneri, a well-known industry

See **Segneri,** *page 71*

LATE NEWS

- SAN DIEGO — Longs Drug Stores opened Longs Pharmacy, a 12,442-sq.-ft, downtown store, March 3—the first to use this name, and the first with a soda fountain since 1956.
- PHOENIX — SupeRx Corp. , which is trying to buy the Begley Co., said it has bought six drug stores and two home health care stores from Defender Drug, and a drug store and two home health centers from United Discount Drugs.
- PAWTUCKET, R. I. — Shareholders of Brooks Drugs' owner Compact Video were expected to approve management's right to sell the drug chain in a meeting March 4. Hook-SupeRx Inc. is expected to be the buyer.
- LANDOVER, Md. — Dart has sold two drug-home centers in the D.C. area to F&M, the Michigan-based deep discounter, for $7 million and has agreed to sell one more.
- EUGENE, Ore. — Seven-store Tiffany Davis Drug Co., has been sold to Dale Engel, a former Osco Drug employee.

Dart Drug reduces loss

(First quarter ended Oct. 31, in thousands of $)

	1987	1986
Net sales	$55,996	$60,998
Net loss	(2,259)	(5,507)
Net loss per share	(.31)	(3.30)

Source: Company reports

Dart's $6M stock offering to build working capital

Chain to dump combo drug store-home centers

By Susan Ball

LANDOVER, Md. — Dart Drug Stores Inc. will offer 2.8 million shares of common stock and 2.1 million stock options to shareholders, to raise about $6 million to upgrade stores, buy inventory, and reduce accounts payable.

Dart also plans to sell off its 17 combination drug store/home center units, according to an S-1 form and amendment it filed with the Securities and Exchange Commission Feb. 11 and 19.

The company also operates 61 drug stores and five Total Plus deep-discount H&BA stores, primarily located in the metropolitan Washington, D. C., area.

The offering will be to existing common and preferred shareholders on a *pro rata* basis. The shares will be sold in units, each consisting of 16 shares of common stock, at $34.44, and 12 "performance options" at 12 cents. The total price will be $34.56 per unit, or about $2.15 per share of common stock.

The offering will be to existing common and preferred shareholders on a pro rata basis.

The performance options would allow holders to buy shares of common stock at $2 a share in four series, beginning on Oct. 31, 1988, and on consecutive anniversaries through October 1991. The right to exercise the options for the first series is conditional on Dart common stock trading at $4.75 for 30 consecutive days.

The minimum price would rise by 50 cents a share for

See **Dart,** *page 71*

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NEWS IN BRIEF

Albertson's to purchase 8 Farmer Jacks

BOISE, Idaho — Albertson's said it is buying eight Farmer Jack supermarkets from the Detroit-based Borman's Inc. supermarket chain.

All of the purchased stores contain pharmacies, Dave Connolly, vp and treasurer of Albertson's, told *Drug Store News*.

Three stores are in Salt Lake City, with one each in Caldwell and Mountain Home, Idaho, Jackson, Wyo., and Tooele and Richfield, Utah.

All stores, but the one in Jackson, were to be transferred March 7, in a purchase that adds "several new towns" to Albertson's roster, and enhances presence in other markets.

Harco opens Ala. stores; count up to 75

NORTHPORT, Ala. — Harco Drug is moving ahead with store openings, with the latest two units, both formerly owned by Eckerd, being unveiled in Huntsville and Selma in February, bringing its store count to 75. A new store is set to open this month in Hueytown, and construction on a Harco in Auburn should be completed in April.

Harco also recently gave three executives vp titles: Jim Harrison III, who is assistant to the president; Frank Gable, director of sales; and David Fuhrman, in charge of diversified operations.

Medi-Save opens three new stores

BATON ROUGE, La. — Medi-Save Pharmacies Inc. has opened three of the 11 new stores it plans to open in 1988, according to executive vp Carl Napoli. Two leased units opened last month in Wal-Mart stores in Mt. Sterling and Morehead, Ky. A third opened last month in a Super 1 Foods store in Monroe, La.

The chain also opened its second freestanding Medi-Save Discount Optical outlet in February in Metairie, La.

Progar named a vp at Thrift Drugs

PITTSBURGH, Pa — Ralph Progar, Thrift Drugs' former manager of store coordination and productivity, has been named to the newly-created post of vp-stores administration, Thrift president Robert Hannan said.

Progar will take responsibility for developing and administering store programs, and will serve on Thrift's Management Council.

In addition, Progar has been elected chairman of the nine-member Pennsylvania State Board of Pharmacy. He will direct board activities in all areas relating to pharmacy practice.

He joined Thrift in 1968 as a student pharmacist.

Solomon joins La Salle 10 International

PARAMUS, N. J. — Jeannette Solomon, who recently retired from K&B Drugs where she was the cosmetics buyer for many years, has joined La Salle 10 International, the cosmetics and perfume vendor.

Solomon will be sales director for the Southeast and Southwest regions, as well as a consultant, said Terry Augenbraun, senior vp-marketing.

"She will be calling on many of the accounts that know her. She has a plenty of knowledge, and is welcome addition," said Augenbraun.

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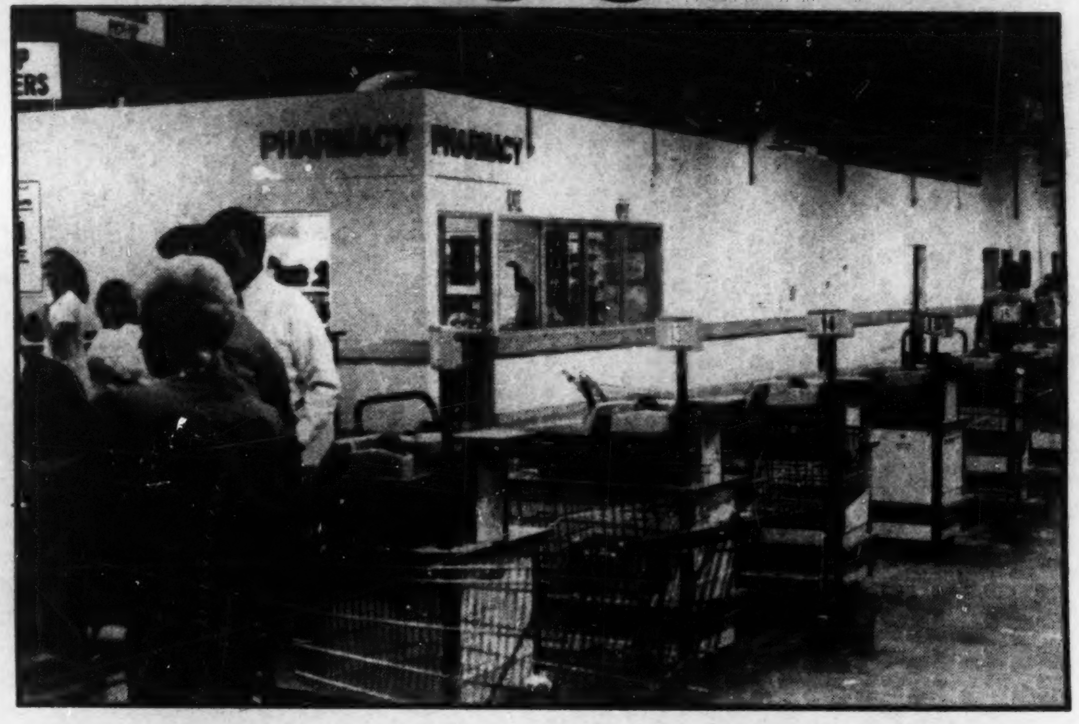
Vol. 10, No. 6 Mar. 14, 1988

Costco to install 7 Rx's; Price Club testing ground



Costco membership warehouse club plans new emphasis on putting pharmacies in stores, such as this unit in City of Industry, Calif.

LOS ANGELES — Costco membership warehouse club will install seven pharmacies a year, while warehouse club innovator Price Club is still testing its initial site.

Costco, the 43-warehouse chain based in Seattle, opened its first pharmacy in 1986, and opened 14 in quick succession during fiscal 1987. Currently, the company operates 16 pharmacies in its West Coast warehouses, Charles Burnett, vice president of pharmacy, told *Drug Store News*.

Burnett said the opening pace slowed down from last year, largely because the company is trying to keep a limit on its headquarters personnel. For this same reason, Burnett said the company is initially opening pharmacies close to home.

Optical centers still present

While continuing to roll out the pharmacies, Costco is currently operating two optical centers and leasing one. Burnett said the pharmacy and optical departments, are set side by side in the warehouses, take up about 2,000 square feet, and share the same service personnel.

Similarly, Price Club has continued to open optical departments, operating 11 currently, but the chain has yet to move beyond the initial pharmacy it opened last May at its original warehouse in San Diego. At the 37-warehouse club's annual shareholder meeting last month, president Robert Price said: "We have not made up our minds at all on whether we should pursue the pharmacy business."

Additionally, Chuck Augello, who was heading up the Price Club pharmacy, has left the company. According to a Price Club executive, this position has not been filled.

While Costco and Price Club both seek to extend their customer services, the companies have taken a different approach with their pharmacies.

At Price Club, the pharmacy is essentially a drop off and pick up window. Limited OTC products sold here are also behind the windows.

Costco, however, has sought to create a mini-apothecary. Members are free to shop the stock of OTCs and place pharmacy orders.

By setting off the pharmacy, Burnett said Costco produces more of a professional atmosphere. "We tried to give more of a complete service" than Price Club, while also trying to supply "most of the things people need in addition to the prescription."

Although Costco is drawing on a smaller population base than most drug stores, the "warehouses have a pretty high traffic count." So overall, Burnett said the pharmacies are "working out well for us."

Eckerd to close La. DC July 1

HAMMOND, La.— Eckerd will close its 228,000-square-foot distribution center here July 1 in a move it said will improve efficiency. The closing of the DC, which primarily serves Lousiana and Mississippi markets, will leave the company with six such centers. The 165 stores in those markets will be served by DCs in Atlanta, Houston and Dallas.

Larry Tucker, vp-district manager, voiced the hope that the early announcement "will enable us to find [our associates] appropriate positions elsewhere within our company, or allow them sufficient time to find other employment."

Tucker said the closing won't affect district remodeling plans. Forty units should be overhauled this year.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979*.

60 years ago

NEW YORK, 1928 — The Louis K. Liggett Co. has installed five automatic vending machines in its stores at 42nd Street and Madison Ave., New York. A two unit automatic change maker is also in operation. A talking machine attachment provides the customary "Thank You."

50 years ago

SHREVEPORT, La., 1938 — Surgical supplies were advertised by an inside—lighted action sign at Walgreen's, 600 Texas St., Shreveport, La. The box, about ten inches wide, six inches deep and six feet long, was painted blue. From it's face was cut out the words "We fit trusses."

40 years ago

WASHINGTON, 1948 — A straight 48 hour work week for all employees of Peoples Drug Stores, Washington, went into effect on January 1, according to John G. Bell, executive vice president of the company.

At the same time all full time employees became entitled to six holidays a year — New Year's Day, Decoration Day, July 4, Labor Day, Thanksgiving Day and Christmas Day.

30 years ago

SACRAMENTO, Calif., 1958 — An interesting gimmick to stimulate ad readership is being used by Payless Stores in Sacramento, California.

A 55-question crossword puzzle, with the bulk of the questions referring to advertised items, is included in the ad. Completed puzzles are brought or mailed to the store and dropped in a barrel. Five dollar merchandise certificates are given to the first 10 contestants whose correct puzzles are drawn from the barrel.

20 years ago

KINSTON, N.C., 1968 — A "drive-in" drug store operated by the four unit Standard Drug in Kinston, N.C., was partially damaged by fire last month and was forced to close. The loss from damaged and destroyed inventory reached $63,000.

The 4,800 sq. ft. unit, according to H.C. Suddreth, president, provided clerks that waited on cars in the parking lot. Customers could also shop on foot in the store.

10 years ago

TWINSBURG, Ohio, 1978 — Revco has just opened its 1,000th store—making it the first company in the chain drug industry to do so—and the event is an important milestone for the industry. The reason for this is that the emergence of a 1,000-store operation carries with it a number of implications about the capabilities of the chain drug industry.

The Third Annual *Drug Store News* Checkstand Merchandising Study

'I'm always looking for a candy or small item I can put out at a good multiple, but I look for quality, not garbage.'
—Ken Fossaceca
Medic Discount Drug

'The key to the whole thing is impulse. We're mostly split between candy, novelty toy items and other low-cost items that go for under a dollar.'
—Jerry Cardinale
Rite Aid

Bagging purchases at a Livermore, Calif., Longs.

'About the only thing we really insist the store managers carry at the checkstands is cigarette and magazine displays.'
—Jim Muir
Dunaway Drug Stores

'The decision process on suggested products is mostly based on experience and input from store managers.'
—Val Storrs
Bartell Drug Company

Retailers hone checkstand merchandising skills

To paraphrase a familiar maxim of the real estate trade: The three most important factors to be considered when creating a high-impulse, high-turn retail environment are location, location, and location.

Inside the store, that principle is embodied in the area around the checkout registers, where vendors compete for a sliver of prime real estate and retailers hone their merchandising skills with high-impact displays and a constantly shifting array of product.

For both retailers and manufacturers, the stakes in this exercise are high. The most recent *Drug Store News* Checkstand Merchandising Study, combined with numerous interviews with chain drug executives around the country, confirmed that retailers continue to rely heavily on the front end for high profits, fast turns, and extra sales. No space is more valuable, or more contested.

Their approaches to front-end merchandising, however, are as varied as the retailers themselves. Most merchandisers turn automatically to a few select categories—candy/gum, magazines, tobacco, film, batteries, and disposable lighters are among the favorites—to trigger impulse sales at the checkout registers year-round.

Beyond that, however, front-end strategies can differ radically. Even basic assumptions about the role and effectiveness of checkstand merchandising, including the types of product which belong there, are not universally accepted.

Arbor Drug, for instance, has successfully defied the common approach of loading up with impulse items at the front end, eschewing even candy and gum at the registers in favor of a clean, uncluttered appearance that ex-

Continued on page 16

This special section was compiled and written by James Frederick, with additional reporting help from Pamela Krein.

Highlights of the study:

- **Candy and gum remain the single most favored category for year-round impulse-oriented merchandising at the checkout registers, even on a season-by-season basis.**
- **Checkstand merchandising decisions are shared by a variety of headquarters and store-level personnel,** including presidents/owners, buyers, merchandise managers and store managers. Perceptions about who is most responsible for front-end merchandising tend to vary according to the position of the respondents, however.
- **Above all, front-end merchandise must generate high impulse sales and fast turns,** according to the survey. In order of importance, gross margin levels were also edged out by such considerations as high sales per square foot and broad consumer appeal.
- **Countertop displays are the favorite checkstand merchandising vehicle.** Use of freestanding floor displays and gravity-feed displays appears to be on the decline, but smaller impulse aids like clip strips are gaining ground at checkout registers.
- **Store managers retain the biggest share of responsibility for endcap merchandising at most drug chains.**
- **Seasonal items, H&BA, sale merchandise and new items are the products featured most often on chain drug store endcaps.**

Methodology of the study

The stories in this special section are based on the Third Annual *Drug Store News* Checkstand Merchandising Study, and additional interviews with retailers.

The study, conducted by Lebhar-Friedman Reseach in December 1987, is based on extensive interviews with 60 merchandising, operations and store-level executives from among the Top 100 drug chains. Respondents were split equally between headquarters and store levels for a balanced picture of checkstand merchandising activities.

Those interviewed are directly involved in checkstand merchandising decision-making.

Decision makers "very involved" in merchandising the main checkout area

	% of HQ respondents	% of store level respondents
Headquarters positions		
President/Owner	20%	7%
Buyer (gen. mdse., tobacco, sundries)	27	13
Merchandise manager (grocery/H&BA/sundries/seasonal)	37	7
V.P. merchandising	17	7
District/regional manager	3	13
Gen. mdse. mgr.	7	3
V.P. marketing	17	3
V.P. operations	37	—
Executive V.P./V.P.	7	7
V.P. purchasing	3	—
Other merchandiser	—	3
Other headquarters positions	7	13
Store-level positions		
Store manager	47	50
Asst. store manager	7	30
Head cashier/clerk	—	23
Dept. mgr./Front end mgr.	7	7
Other store-level positions	5	10

Source: *Drug Store News* survey

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Drug store merchandisers make most of checkstand location

Candy/gum and tobacco products dominate front-end point-of-purchase displays at this Genovese in Albertson, N. Y.

Continued from page 15

tends throughout the store.

"Our general criteria is not to clutter the registers," said Arbor assistant treasurer Tom Ross. "We keep it clean, because we don't want our customers to feel bombarded with impulse items."

Instead, Ross continued, the Michigan-based chain concentrates its merchandising efforts on endcaps and in-line displays throughout the store. "We're experimenting with an auxiliary gum and mint stand adjoining the checkout counter, but we don't do much of it at the checkstands because we home candy very successfully in its own aisle."

Meanwhile, chains like Rite Aid, Bartell Drugs and Pay 'n Save successfully rotate a wide and constantly changing variety of product through their register areas. Rite Aid continues to move candy and low-end novelty toys through its checkout counters, and continues to reap high turns at the registers despite the introduction of point-of-sale scanners in more than 600 stores, according to assistant vp-merchandising Jerry Cardinale.

"The POS systems speed checkouts, but I don't think they've hurt our impulse sales," he said.

Like Rite Aid, Medic Discount Drug in Cleveland avoids higher-priced merchandise at the front end, and rotates its checkstand mix often. "It's not a home up there," said general merchandise buyer Ken Fossaceca. "Even if an item sells well, we rotate it just to provide variety for the customer."

Overall, said Fossaceca, Medic looks for high-impulse items with a 40 percent or more gross margin. "I'm always looking for a candy or small item I can put out at a good multiple, but I look for quality, not garbage," he added.

At Bartell, trial-sized items and magazines have become key sellers along with staples like candy and gum, disposable lighters, batteries, nail clippers and bonus-buy items, senior vp Val Storrs reports.

Front-end magazine sales at Bartell are often so strong that the stores have to replenish the checkstand racks from the regular magazine racks, Storrs told *Drug Store News*.

Film and batteries play a big role at Boston's Rix Dunnington. "We have a massive presentation behind the checkouts," said vp-merchandising Steven Sorkin. "We also go with disposables, some cigarettes on a wraparound plastic display unit that hugs the register, and occasionally windup toys, and we watch the register area very carefully for results. Our three biggest considerations are impulse, profit and turnover."

Pay 'n Save, which hired Jim Pappas last year as director of controlled checkouts, fields one of the industry's most aggressive and varied checkstand merchandising programs. Pappas planograms four complete register panels for checkout lines, and alternates them periodically. Seasonal merchandise and hard lines like hardware and housewares play a role as impulse items, along with the fast-turning basics like candy and magazines.

The Seattle-based chain's new checkstand program is getting results, Pappas reports, and he is now developing a "power panel" to boost impulse sales with endcap extenders throughout the store.

Checkstand configurations can have a big impact on front-end sales. Several chains have moved away from the single, wide checkout counters at the front of the store in favor of supermarket-style, pass-through registers or island registers, both of which can create new opportunities for impulse displays at the front end. One recent convert is Medicare-Glaser, which has opted for mid-aisle service counters in newer and remodeled stores. The chain now has about 15 in place, according to a spokesman.

"I wish we did have walk-

Continued on page 18

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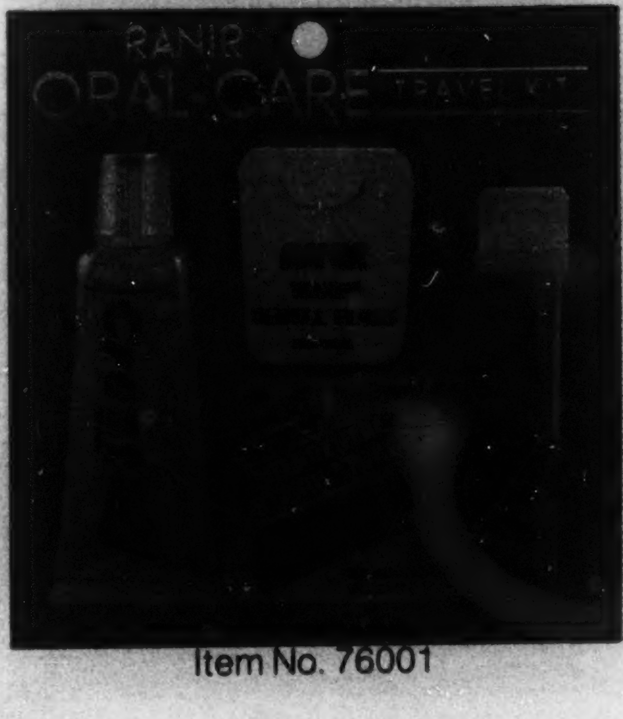

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Candy and gum the sweetest managers tell *DrSN* survey

Candy and gum remain the overwhelming favorites with which to sweeten impulse sales at the drug store checkout counter, according to *Drug Store News'* recent survey of 60 headquarters and store-level merchandise managers.

Asked to rate their three most important choices for year-round checkstand merchandise categories, three out of four respondents named candy/gum as a crucial part of their front-end strategy. The next-favored checkstand categories were cigarettes/tobacco, named a top-three staple by 42 percent of the retailers surveyed; and books/magazines, with 25 percent.

The survey results indicate a greater-than-ever reliance on candy and gum to capture last-minute sales at the checkstand. Last year, only 43 percent of the respondents rated the category as among the three most important checkout items, and gave film a 33 percent rating, ahead of both cigarettes/tobacco, with 30 percent, and books/magazines, at 27 percent.

In the most recent *Drug Store News* poll, only 23 percent rated film a checkout necessity.

Among seasonal products, lip protectors took top honors as a key winter staple at the checkstand. According to 25 percent of the retailers surveyed, lip protectors were the most desirable items for winter sales at the register, although headquarters merchandisers were far more enamored of the product than store managers (37 percent vs. 13 percent).

Not surprisingly, suntan products remain the most frequently requested item for summer. Three out of 10 respondents rated suntan products as their top seasonal checkstand staple for summer, followed by 12 percent for candy/gum, 8 percent for film and 3 percent each for sunglasses, lip protectors, snacks and soft drinks.

Even among seasonal products, candy/gum remained a top choice. The category edged out suntan products, garden supplies and other products as the favored seasonal product during spring, and also took the top spot for fall checkstand merchandising, beating out school supplies, cold products and other categories.

Overall, the top 10 most frequently cited, regularly available products currently found at the drug store checkstand, according to those surveyed, were candy/gum (90 percent), cigarettes (87 percent), film (73 percent), lip protectors (70 percent), cigarette lighters (60 percent) nail clippers (60 percent), batteries (57 percent), magazines (53 percent), razor blades (43 percent) and playing cards (40 percent).

Headquarters managers were also asked to name the five most profitable checkstand categories, in terms of gross profit dollars generated. Rated most profitable was candy/gum. Also generating handsome profits are batteries, sunglasses, cigarette lighters, magazines, film and razor blades, they said.

Checkstand favorites ✓

	% of HQ respondents as of 12/87	% of HQ respondents as of 1/87**
Candy/gum	90%	83%
Cigarettes	87	80
Film	73	73
Lip protectors	70	67
Cigarette lighters	60	80
Nail clippers	60	43
Batteries	57	57
Magazines	53	47
Razor blades	43	47
Playing cards	40	—
Newspapers	40	33
Novelties and trend items	37	37
Key rings	30	47
Snacks (potato chips, etc.)	30	10
Pens	23	37
Celophane adhesive tape	20	—
Sunglasses	20	23
Glue	13	—
Pocket sized books	10	13
Calculators	10	—
Nuts	7	10
H&BA trial sizes	7	23
Small toys	7	10
Cookies	3	7
Soft drinks	3	—
Giftware/jewelry	3	—
Other products	17	3
Don't know/no answer	3	—

Note: Percentages exceed 100 percent due to multiple responses
Source: *Drug Store News survey*

Retailers rate profits power of leading checkstand items ✓

	Product categories available at main checkout	1st most profitable	1st or 2nd most profitable
Candy/gum	97%	31%	55%
Lip protectors	90	7	7
Nail clippers	87	4	4
Batteries	80	13	33
Film	80	4	13
Novelties/trend items	80	8	8
Magazines	77	9	17
Cigarette lighters	77	9	22
Cigarettes	77	9	13
Razor blades	63	—	11
H&BA trial sizes	50	—	7
Sunglasses	43	—	31
Small toys	37	—	8

Note: All respondents carry these categories regularly or occasionally.
Source: *Drug Store News survey*

Merchandising execs experiment with front-end alternatives

Continued from page 16

through registers instead of the long front-end counter," noted a merchandising executive for one drug chain. "It's a lot harder to merchandise for high-impulse sales in a straight-line front-end configuration like we have.

"I think that configuration is a throwback to the old drug store service counter approach, when everybody sold photo, batteries and cigarettes from the same position," he added. "That's probably why most chains have stuck with it."

In addition to product selection and front-end layout, drug chains also differ in who makes the decisions regarding checkstand merchandising. According to the *Drug Store News* survey, less than half of all drug chains planogram their main checkout areas, and many rely heavily on the store manager to make front-end purchasing decisions. Nevertheless, many different executives can play a role in the merchandising process.

30% for flexibility

Approaches can vary widely, with the size and complexity of a retail organization playing a big part. In general, smaller and more diversified drug chains like Dunaway Drug Stores and Bill's Drugs in Lafayette, Calif., allow for a greater degree of latitude at store level, while larger, more centrally controlled chains like Rite Aid and Walgreens opt for greater centralization and standardization.

"About 70 percent of our front-end mix is planogrammed and pretty permanent, with the other 30 percent left open for flexibility with new items and manager input," explained Rite Aid's Cardinale.

Bill's Drugs, on the other hand, encourages store managers to set up their own checkstand programs. "We just tell them to keep the register areas filled up with fast-moving items," said chairman and chief executive Bill Eames.

Checkstand regulars: Products sold at main registers year-round ✓

	% of HQ respondents
Candy/gum	80%
Cigarettes/tobacco	43
Books/magazines	33
Film	27
Cigarette lighters	20
Batteries	20
Razors/razor blades	17
Novelty/trend items	10
Lip protectors	13
Pill pods	3
Playing cards	3
Other products	7

Source: *Drug Store News survey*

Seasonal checkstand favorites

(Combined headquarters and store-level responses)

Winter	Spring	Summer	Fall
Lip protectors Candy/gum Cough drops/cold products Christmas pins/items Film Windshield washer Ice scrapers Gloves Lotion	Candy/gum Suntan products Garden gloves/seeds/supplies Lip protectors Cigarette lighters Sunglasses Soft drinks/soda Allergy products Kites	Suntan products Candy/gum Film Sunglasses Lip protectors Snacks Soft drinks Small toys Insect repellant	Candy/gum School supplies Cold products/cough drops Film Novelty items Lip protectors Batteries Cold weather gear/gloves Tissues Snow scraper

Source: *Drug Store News survey*

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Countertop units, such as the sunglasses displayer in the above photo, are the most popular means for capturing impulse sales.

Countertop displays top choice for impulse sales

Countertop displays have become the method of choice for capturing impulse sales at the main checkstand, according to drug store retailers surveyed in the newest *Drug Store News* Checkstand Merchandising Study.

More than eight out of every 10 chains reported using countertop prepacks, compared with 68 percent which use dump bins or cigarette racks at the front end, 67 percent which rely on candy/gum racks and 65 percent which allow for magazine racks.

In contrast, the survey shows a decrease in the use of freestanding manufacturer or floor displays at the main checkout area, to just 58 percent of the drug chains surveyed, compared with 80 percent in 1986. The use of gravity-feed displays also plummeted last year, with just 38 percent of chains reporting their use in 1987 compared with 70 percent a year earlier.

Clip strips are 'better than J-hooks, easier to use, and safer,' noted one respondent.

Experiments with checkstand merchandising techniques continue, however. Although only 13 percent of the respondents scrapped some type of display unit over the past six months, 27 percent reported using some new type of display or fixture during the same time period. And 23 percent said they plan to try a new type of display at the main checkout during the next half-year.

In contrast, only 5 percent of those surveyed anticipated dropping any type of display at the main checkout over the next six months.

Chain checkstand merchandisers gave researchers a variety of reasons for their willingness to experiment with new display formats at the front end. One headquarters merchandiser anticipated a move in his stores to three-sided, supermarket-style checkout displays at the front end "just to try a better presentation," adding, "Presently at three checkouts at three of our stores, we have bulk stacking of bulk merchandise. Using fixtures more offers variety without bulk. Smaller quantities, greater variety."

Added a store-level respondent: "Whatever comes out that's new, we try, to see what kind of response we get. Customer appeal is also important."

Among the types of displays drug chains tried for the first time last year at the checkstands, clip strips were the single most popular. Thirty-one percent of respondents who reported using new displays at the front end chose clip strips, compared with 19 percent who tried three-sided supermarket-style displays, and another 19 percent who adopted checkstand cigarette racks for the first time.

Clip strips were popular for a variety of reasons. "They're better than J-hooks, easier to use in the stores and safer," noted one headquarters-level respondent. "We feel there is better visibility."

"[Clip strips] took up little space and could be affixed to an existing rack," added another.

Another merchandiser reported trying candy and gum racks for the first time because they "offered an opportunity for gross profit, cash incentives and display allowances."

Display racks used most often

	HQ respondents citing use
Countertop displays	87%
Bins for dumping	63
Cigarette racks	70
Candy/gum racks	77
Magazine racks	67
Wire racks displaying a wide variety of products	63
Vertical displays	57
Free-standing mfr. or floor displays	57
Horizontal displays	63
Clip strips	40
J-hooks adjacent to register	43
Gravity feed displays	40
Three-sided or winged supermarket style checkout display	23
Traditional supermarket style checkout displays	33
Other displays	3
Don't know/no answer	3

Source: *Drug Store News survey*

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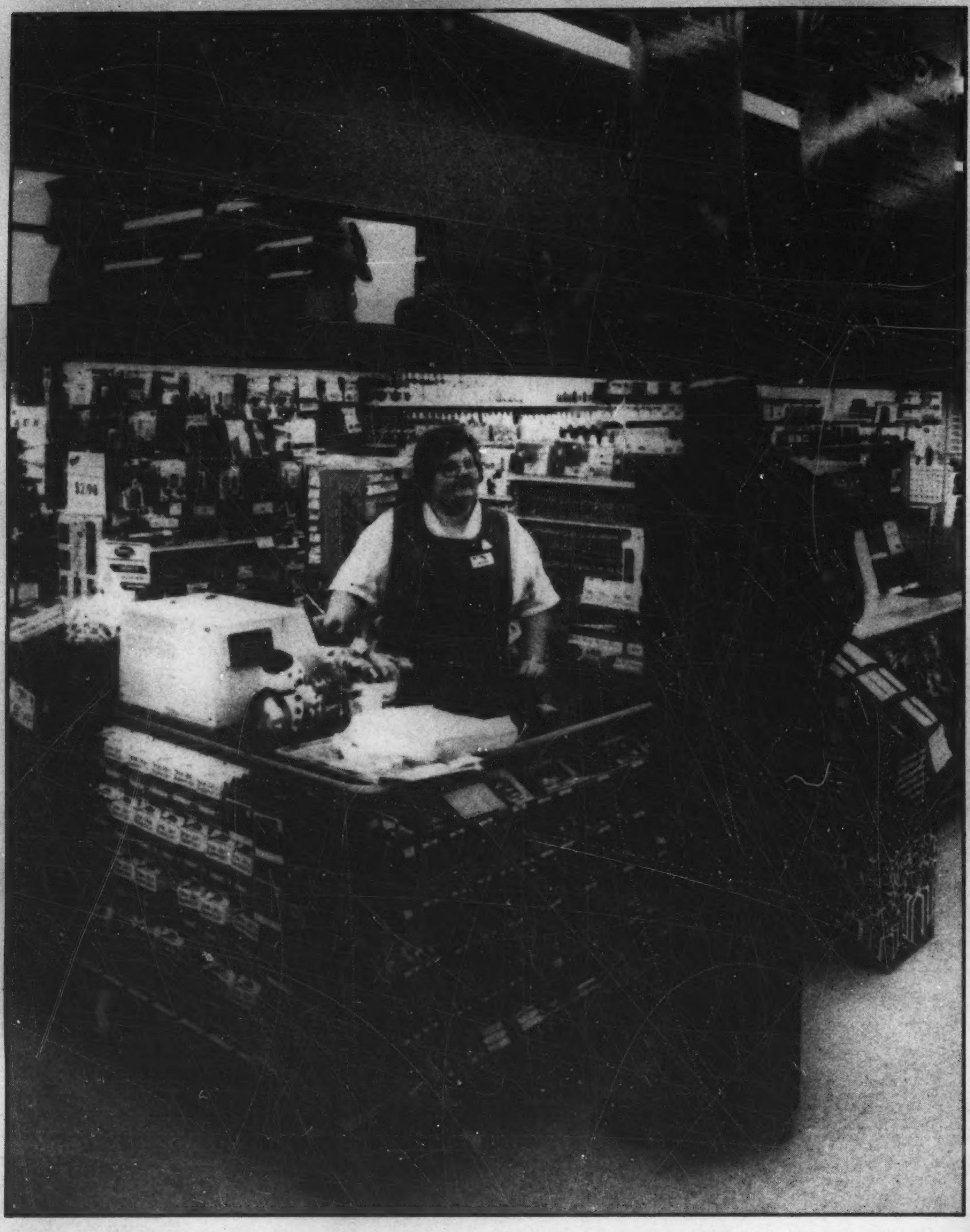


Shelving set tight to the checkstand counter promotes an open, uncluttered look in this SupeRx Corp. store in Phoenix.

Impulse sales and fast turns are prime checkstand criteria

The ability to generate impulse sales and fast turns remains the most important attributes of any merchandise category displayed at the main checkstand, according to the *Drug Store News* Checkstand Merchandising Study. Impulse sales potential was rated "very important" by 78 percent of the respondents, with quick turnover rating almost as highly.

Among other requirements chain drug retailers demand from their checkstand merchandise are high sales per square foot (rated "very important" by 63 percent), broad consumer appeal (a key factor for 60 percent of those surveyed), and high gross margins (with a 47 percent rating).

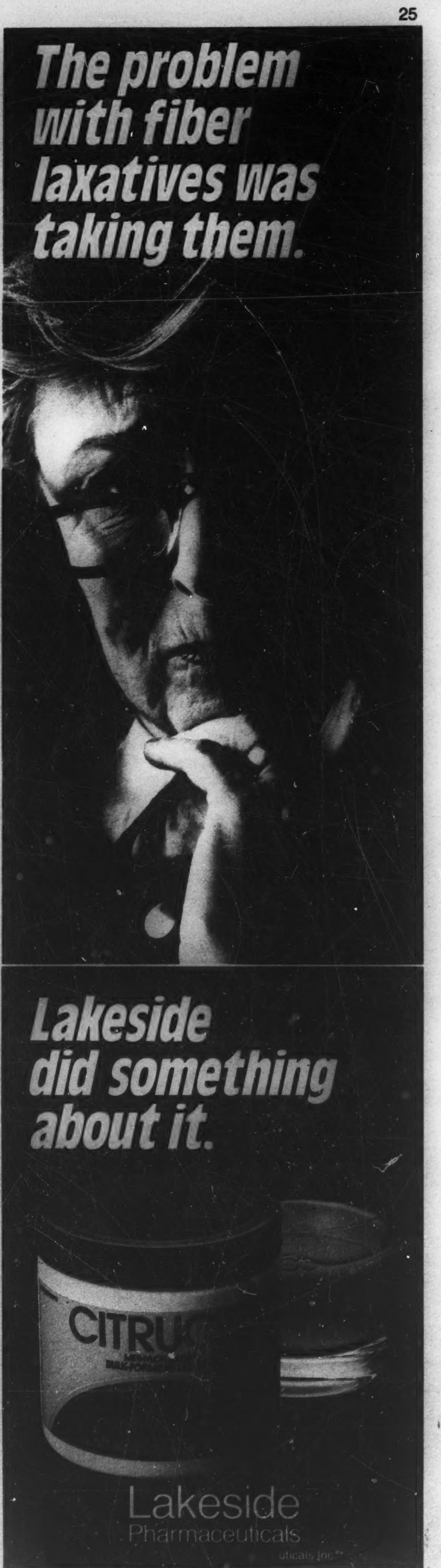
The survey also pointed up a divergence of opinion between headquarters and store-level respondents. The risk of theft for any checkstand item, for instance, was rated "very important" by 47 percent of store managers but only 27 percent of headquarters merchandisers. And while 83 percent of the headquarters people ranked "sales per square foot" as among the most important attributes for checkstand, only 43 percent of the store-level respondents felt that way.

Both store and headquarters employees were in agreement that "the availability of manufacturer-provided displays" and "items on sale" were not crucial to the selection of merchandise for the checkout counters.

How products earn checkstand space

	Total respondents	% of HQ respondents	% of store level respondents
Impulse purchase potential	78%	87%	70%
Quick turnover	72	83	60
Sales per sq. ft.	63	83	43
Inventory turns	60	60	60
Broad consumer appeal	60	80	40
High gross margins	47	50	43
Reduced theft risk	37	27	47
Display allowances	35	37	33
Items of excellent value	35	40	30
Mfr. display availability	10	3	17
Items on sale	5	7	3

Source: *Drug Store News* survey



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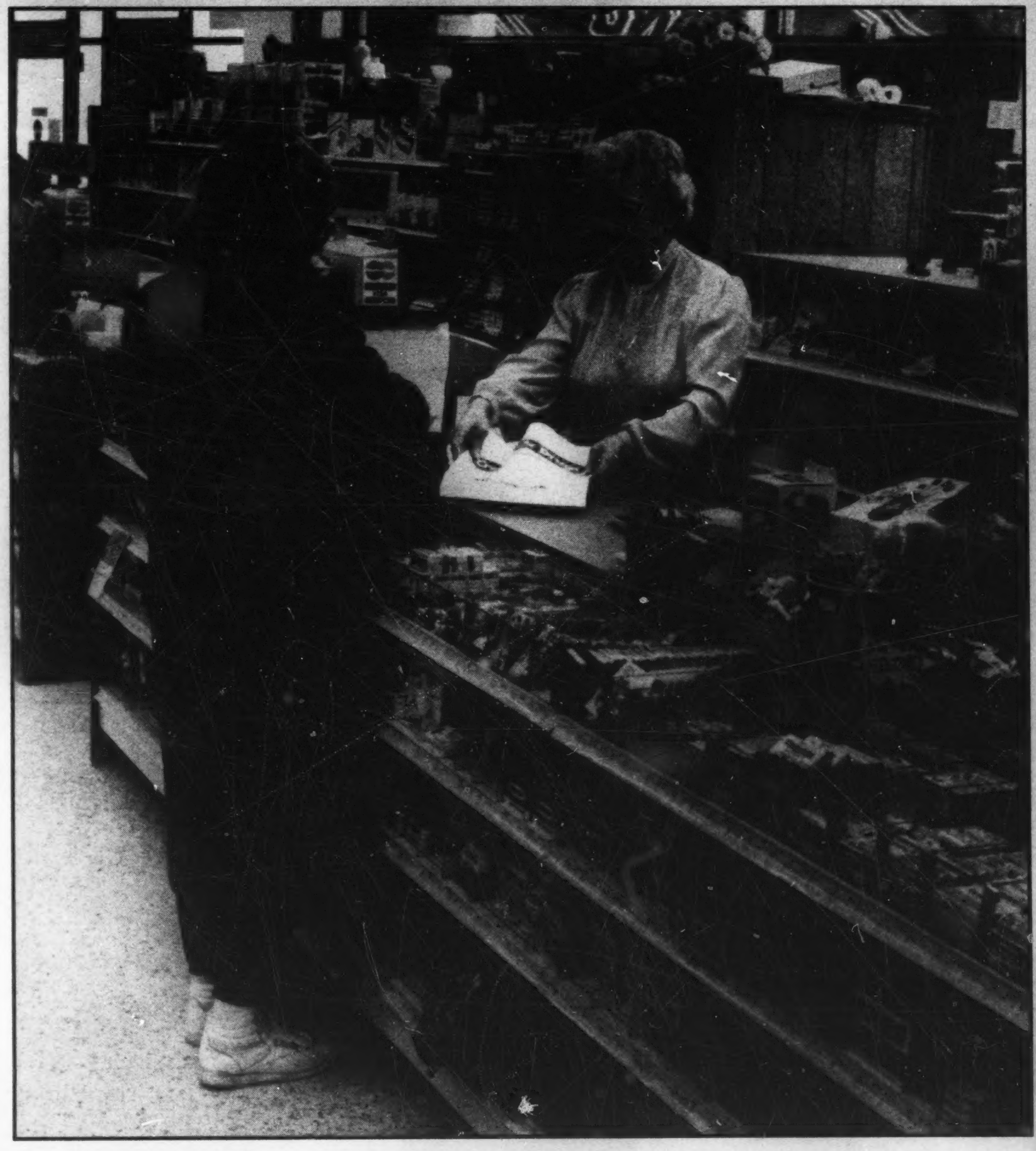


Crown Drugs uses shelves set behind the checkstand to provide maximum exposure for a variety of items ranging from consumer electronics to cigarettes.

Store managers play vital roll in determining use of endcaps

Headquarters and store merchandise managers are not always in synch over who controls the checkstand merchandising process, but they do agree that store managers play a vital roll in deciding how to use endcaps, according to the *Drug Store News* Checkstand Merchandising Study.

More than half of those surveyed—including 63 percent of the store-level group and 40 percent of the headquarters executives—named the store manager as the person responsible for deciding what products go into endcap displays. Both groups also cited general merchandise managers as an important part of the process, with 23 percent of headquarters people and 17 percent of store managers naming GMMs as the primary endcap decision-makers.

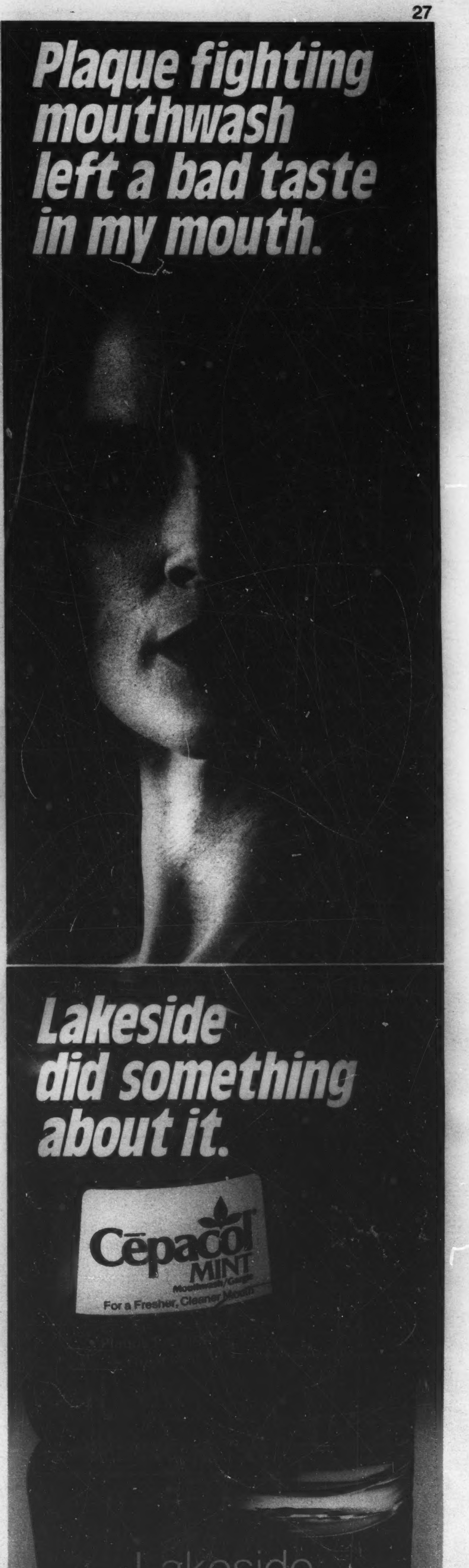
Store managers and headquarters executives were also in agreement as to which products belong on endcap displays. Topping the list of products merchandised on endcaps at the drug chains surveyed were seasonal items, health and beauty aids, new and sale merchandise, and candy/gum.

Products most frequently endcapped

	% of HQ respondents
Seasonal items	67%
Health and beauty aids	50
Sale and new merchandise	43
Candy/gum	43
Promotional items	30
Cleaning supplies/ household items	30
Grocery products	23
Cosmetics	23
Advertised specials	20
Cookies/snacks	13
Gift items	10
Anti-freeze	3
Sundries	10
Greeting cards	10
Pens	10
Sunglasses	10
Books/magazines	7
Batteries	3
Impulse items	3
Film	3
Flowers	3
Other products	7
Don't know/no answer	7

Drug Store News survey

A broad selection of sundries are found at the checkout for this Rite Aid in Camp Hill, Pa.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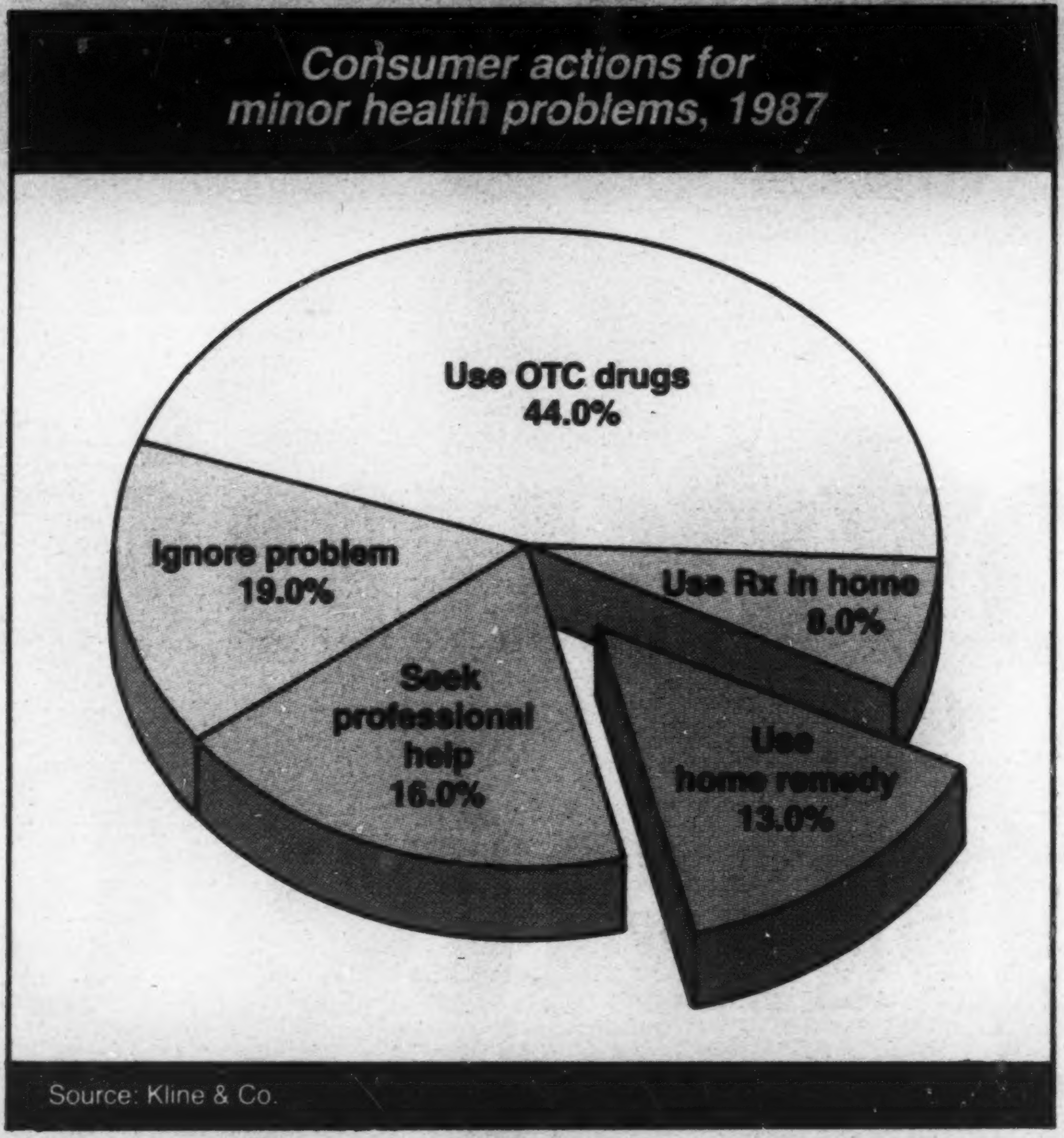
Self-care drives diagnostics, Rx-OTC switches



Source: Kline & Co.

OTC drugs sales are booming as consumers are opting to self-medicate rather than visit their doctors for prescriptions to treat minor health problems.

BETHESDA, Md. — Experts predict that the trend toward increased consumer reliance on self-medication and self-care will drive the market for more home diagnostic and monitoring kits and spark a greater number of Rx to OTC switches.

Millions of Americans are showing a greater interest in their health and well being, according to William Bergman, chairman of the Proprietary Association, which sponsored, in conjunction with the FDA, a symposium here on the future of consumer self-care and self-medication.

This trend, according to industry watchers, is irreversible. Dr. Isadore Rosenfeld, a cardiologist and educator, explained that the trend is driven by a number of factors.

At the same time consumers are placing a greater importance on health care matters and are taking better care of themselves, said Rosenfeld, professional health care costs are soaring. Third-party insurers are cutting back on the percentage of care they will cover.

"Once American health consumers realize that they no longer have access to unlimited care for which someone else picks up the tab, they will look for other ways of dealing with their medical problems," said Rosenfeld.

One of the ways will be through the use of at-home monitoring and diagnostic devices, such as those that measure cholesterol, evaluate changes in renal function and determine hemoglobin levels.

"People today want to accept greater responsibility for health and to participate more fully in personal medical decisions," said Bergman. Home diagnostics and monitoring "can lend new precision to individual decisions to ignore, self-treat, or consult a health professional about an obvious symptom or situation," according to Bergman.

The success of home ovulation kits, pregnancy tests and diabetes screening tests and monitoring equipment will make the market ripe for the introduction of kits which test for other conditions.

Savvy consumers are mounting a "self-care revolution," said Frank Samuel, president of Health Industry Manufacturers Association, and the new diagnostic kits will be their "weapons."

Technological changes, said Samuel, will make new products practical. "The use of monoclonal antibody technology makes possible diagnostic tests for home use that are more accurate, reliable, and stable than those used in the hospital a few years ago."

FDA commissioner Frank Young said that although home kits would not take the place of physician consultation, they would provide consumers with an opportunity to screen for conditions themselves.

"Home diagnostics are not intended to replace or supplant the physician. Rather they are tools that extend the physician's scope and free the physician to perform the health service that only physician can do," said Samuel.

Samuel likened home diagnostic kits to thermometers, ideally used as screening measures. Thermometers offset the cost and inconvenience of a trip to the doctor, by allowing patients access to a tool which can help them decide whether to seek medical help or wait to see if symptoms persist, Samuel explained.

Young said that an OTC home kit for detecting urinary tract infections is currently in FDA's approval pipeline. Samuel sees tests for strep throat on the horizon.

Rx to OTC switches

The increased cost of health care will further be reduced as consumers increasingly gain OTC access to drugs which formerly required a prescription.

"According to a recent industry survey, four times as many common health problems are being treated by OTC products as are taken to physicians," said Young. He attributes the increased use of OTC products to switches.

"In the last ten years, almost all of the successful OTC products were Rx to OTC switches," said Young.

Many OTC products are offering more than symptomatic relief of minor conditions, according to Young. Some cure, some prevent, others help manage disease. The trend will continue; the OTC market will be enlarged, he added.

Self-medication using OTC products is not only a boon to consumers interested in taking a more active role in their own care, but an economic benefit to society, according to Dr. Charles Kline, of Kline & Company, a marketing consultant firm.

"For every dollar spent in retail OTC," said Kline, "the consumer gets $1.79 in health care benefits." The study shows that OTC medications saved the U.S. economy $23.8 billion in 1987 in lost time from work, visits to doctors, prescription drugs, insurance services, travel and home remedies.

Labeling important

With the American public witnessing an irreversible trend toward increased self-medication, typically with stronger drugs which once held Rx status, Commissioner Young is committed to proper labeling for OTC products and is bent on keeping physicians in the information loop, appraised of what their patients are taking at home.

"Labeling is exceedingly important on all self-care products designed to be used without professional consultation," said Young. "FDA plans to announce shortly the availibility of a draft document for in vitro diagnostic devices for home use."

The guidelines will suggest visually highlighted directions, a complete explanation of how the test works, medical benefits and limitations, a description of foods or substances which would affect results, and perhaps most importantly, an interpretation of results and follow up action required.

"Information is the self correcting feature of the marketplace," said Rep. Henry Waxman, chairman of the House Subcommittee on Health and the Environment. "Switching RX to OTC recognizes the public's desire to make their own health decisions. But consumers must fully understand powerful drugs. Selling medication directly to the public carries a heavy legal and ethical burden."

Perhaps the counseling role will ultimately fall to the pharmacist as the health care marketplace continues to evolve.

"The pharmacist is the person who can answer whether a new blood testing kit can tell a consumer what he needs to know," said George Harris, editor-in-chief of *American Health* magazine.

Arthur White, president and ceo of WSY Consulting Group, thinks the pharmacist will ultimately become the information source.

"The American people are asking their doctors to tell them that medication is safe," he said, "but it's the pharmacist that knows that information. The family pharmacist has retreated to a distant area of the pharmacy so that he or she is not as accessible. That role as information giver should be reestablished. The American people are receptive to self-care and self-medication, but they won't go it alone. They are counting on complex partnerships with health care professionals, doctors and pharmacists."

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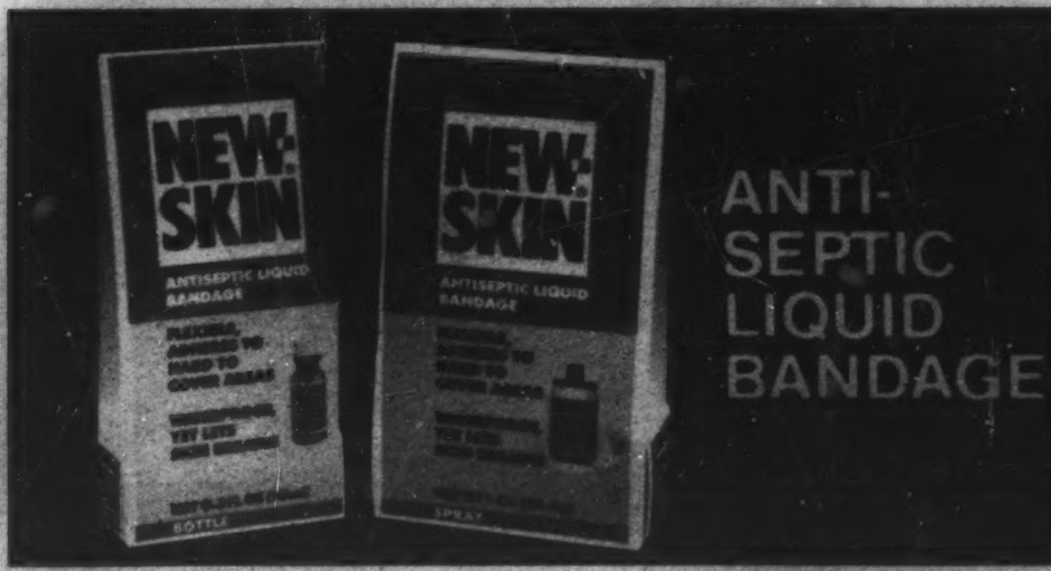

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DRUG STORE NEWS®

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Longs' small store format marks new direction

Ice cream being served at San Diego's new Longs Pharmacy.

By Pamela Krein

SAN DIEGO — In what could become a new small-store format, Longs Drug Stores opened its first Longs Pharmacy here this month. The move is seen as a continuation of the chain's efforts at market flexibility.

With 9,704 square feet of selling space—about half the company's average—Longs Pharmacy is "not a prototype, but it may become one," Dick Scott, executive vice president of operations for the 229-store Walnut Creek, Calif.-based company, told *Drug Store News*.

However, Scott said the different name does give the chain a platform to launch a small-store format, and added, "We are looking at other areas where there appears to be a similar situation" to the newly-opened store.

The mall site marks further small-store experimentation for Longs.

Located in downtown San Diego on the ground level of Horton Plaza, the mall site marks further small store experimentation for Longs.

The chain recently opened a store under the Longs Drugs name in Alameda, Calif. with 9,942 square feet of selling space. This store, and now the new Longs Pharmacy site, further establishes the chain's

See Longs, *page 69*

Main objective: profitability, Perry Drug chief exec says

1st-qtr. numbers hint at turnaround; sales up

By James Frederick

TROY, Mich. — Responding to shareholder concerns about last year's operating loss of $7.9 million, Perry Drug Stores chairman and chief executive Jack Robinson and president David Schwartz dedicated themselves to restoring profits at Perry's annual shareholders' meeting here March 15.

Recently announced first-quarter results indicate the company's turnaround efforts may be paying off. Net earnings for the period ended Jan. 31 stood at $1.8 million, on a par with results for the first quarter of last year. Sales from continuing operations increased 10 percent, to $175 million. Sales in seasoned stores were also up a healthy 6 percent.

Robinson blamed last year's loss on soft demand for auto parts, gross margin pressures in the pharmacies, higher administrative costs and other factors, and said the chain has taken several concrete steps to cut costs and boost margins. Among them:

- The elimination of more than 125 administrative jobs and the reassignment of many of those former headquarters people to the stores;
- "Substantial" bud-

See Perry, *page 69*

New prototype stresses customer service, color

ANN ARBOR, Mich. — Perry Drug Stores unveiled a new store prototype here last month which emphasizes customer service, ease of shopping, and a more dramatic, colorful decor and merchandising scheme.

The new format caps months of work by group vice president Gary Allen, vp-real estate Paul Goldsmith, president David Schwartz and others to develop what Schwartz called "a new, exciting look for the '90s. . . with special lighting and color

See Chain, *page 69*

Fragrance sales were disappointing for many drug store retailers this past Christmas, and in a special report beginning on page 13, *Drug Store News* explores why.

To identify how effectively chain drug stores merchandised fragrances during the Christmas selling season, *Drug Store News* sponsored a fragrance department audit in mid-November of 415 chain drug stores.

We measured how chains changed their merchandising strategy at Christmas—how big departments got, what specific brands were featured, the types of displays that were most commonly used, and when the average store completed putting up its fragrance displays.

We also looked at the best retail performers, including Walgreens, CVS and Longs, and we compared them to the average chain drug stores.

We think the picture is revealing.

LATE NEWS

- LOUISVILLE, Ky. — SupeRx Corp. said in U. S. District Court here it can offer as much as $30 a share for Begley Co., with $20 million it has lined up from American Continental Corp. The Phoenix-based company, meanwhile, planned to extend again its $21-a-share offer, which will allow an expedited response from shareholders to this possible $30-a-share amended offer.
- LOS ANGELES — Thrifty Corp. has bought 21-store Dave Cook Sporting Goods for an undisclosed amount. Thrifty adds the Colorado and Wyoming stores to its 160-unit sporting goods roster, as it aims to grow the division 10-15 percent over the next few years via regional acquisitions.
- MELVILLE, N. Y. — Genovese Drug Stores announced record sales and net income for the fourth quarter and year ended Jan. 29. Fiscal '88 sales rose 16 percent to $313.9 million. Net income for the year was $4.64 million compared with $2.04 million last year.

Rite Aid starts acquiring Begley Co. share options

$29-per-share SupeRx bid yet to crystallize

By David Vaczek

RICHMOND, Ky. — As Rite Aid began receiving options to buy Begley Co. shares as part of the $28-a-share merger pact it has with Begley's board, it was unclear whether SupeRx Corp. was still committed to buying Begley.

While SupeRx had told Begley's board it would pay $29 a share, sources say the Phoenix-based chain has so far failed to amend its $21-a-share offer.

Rite Aid has gained options on as much as 24 percent of Begley shares since its tender offer—which expires April 4—was launched March 4. They include options on about 160,000 shares owned by Begley Chairman Tracy Farmer and board member R. Steele Gregory, according to company spokesmen and other sources.

When and if Rite Aid gains a controlling 51 percent of

See Begley, *page 69*

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- C. E. lesson: drug laws

NEWS IN BRIEF

Revco suffers $17.4M loss in 3rd qtr.

TWINSBURG, Ohio — Despite operating profits of $29.7 million before depreciation and amortization, Revco D.S. suffered a net loss of $17.4 million on sales of $600.3 million in the third quarter ended Feb. 6. This compares with third-quarter results last year of $579.4 million in sales, operating profits of $38.6 million and a net loss of $11.8 million.

Year-to-date sales are up 4.8 percent over last year, to $1.66 billion, with a net loss of $50.9 million on operating profits of $92.2 million.

Same-store sales for the period inched ahead 1.4 percent, up 2.8 percent for the first 36 weeks of the fiscal year. Prescription drugs accounted for most of the increase.

Revco chairman Boake Sells blamed much of the "below-plan performance" on high out-of-stocks during the Christmas season, but said the problem is being corrected. Sells added that Revco's new management team, as well as a 3.6 percent gain in prescriptions filled at Revco this year, should also improve operating results.

On another front, Revco's divestiture program is continuing, with the remaining divisions expected to be sold by mid-year ahead of schedule, said executive vp and chief financial officer Vito Cardace.

Tiffany to keep neighborhood image

EUGENE, Ore. — Tiffany-Davis' new owner Dale Engel said he plans to keep the former family-run operation true to its friendly and convenient neighborhood drug store image.

Engel, who spent nearly 22 years with Osco, said he acquired the privately held company through a stock purchase. The acquisition gave Engel the company's six drug stores, including four with pharmacies, and one Hallmark store. They range in size from 2,300 to 15,000 square feet, with the average about 11,000 square feet.

The new owner said while he will make few changes, he may consider putting pharmacies in the two drug stores that currently do not have them.

Armor 1st outsider named to Harris board

James B. Armor

SOLON, Ohio — James B. Armor, retired president of Pittsburgh-based Thrift Drug, has become the first outside member elected to the Board of Directors of Harris Wholesale Co.

Harris Wholesale president Seth B. Harris said Armor's "keen insight into the needs of retail customers is expected to add a significant contribution to the board and to the overall success of maintaining Harris's commitment to our customers." Armor, who was president of Thrift from 1980 to 1987, has 39 years of experience in retailing.

Dart Group drops bid for Stop & Shop

LANDOVER, Md. — Dart Group Corp. has dropped its offer to purchase all outstanding stock of Stop & Shop Cos., following Stop & Shop's agreement to a $1.23 billion acquisition by Kolhberg Kravis & Co. Dart Group said all Stop & Shop shares tendered under its offer will be returned to the tender holders.

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Vol. 10, No. 7 March 28, 1988

Crown uses larger stores in face of competitor influx

WINSTON-SALEM, N. C. — Crown Drugs is building a 60 percent to 80 percent larger format that underscores its "community store" orientation.

Meanwhile, expansion of the 20-store chain's warehouse is yielding critical buying clout to help Crown withstand an influx of deep discounters and combos, and a battered local economy, president Ray Gentry told *Drug Store News*.

Crown's year-old warehouse expansion, from 25,000 to 53,000 square feet, cost $900,000. Bulk buying allows Crown to lower prices, while sustaining or even increasing margins in such categories as candy and snacks, distilled water and reading glasses. Crown has developed, for the first time, a 50-foot housewares section featuring such brands as Rubbermaid and Ekco.

The DC holds almost $2.2 million worth of inventory and has staging space for breaking down shipments to stores. Seventy-two percent of sales are warehouse-shipped, up from 65 percent before the upgrade.

To build efficiencies further, Crown plans to install its first test scanning by June, and is considering a chainwide rollout by July, 1989, Gentry said.

The most evident change at Crown is the new store format, enlarged to 9,000 square feet and 11,000 square feet, up from 5,000 square feet and 7,000 square feet. Aisles were widened from 45 to 50 inches, for a more open shopping experience, with the right-side promotional aisle widened from 5 to 6 feet.

Cosmetic exposure is improved with a new diagonal aisle.

A distinctive diagonal aisle from the front door to the left-side cosmetics wall exposes merchandise better. Crown will reformat all but five of its stores with this diagonal aisle, Gentry said.

Gentry said all new stores, including two planned for 1988, will be built to the larger size. Remodels, including three stores moved recently to new shopping centers, have been enlarged as well.

"We've seen a big increase in sales on endcaps from the diagonal format," said Steve Atwood, district manager, who noted sales from larger stores are up 15 to 30 percent, and the larger size is averaging a $1.5 million annual sales rate.

The stores retain Crown's service, health care and convenience feel, which Gentry believes is vital for growth.

Stores have minimum staffing on each shift of one pharmacist, one cosmetician, two cashiers, and a floor manager.

"The Phar-Mors, Drug Emporiums, and Wal-Marts are changing this whole industry fast," Gentry says, citing three chains that have opened new stores here recently. Kroger combos and K marts with pharmacies have arrived. "They're going to change the consumers' shopping habits dramatically," he added.

"We have to be and remain a community drug store," said Gentry, who feels the consumer will be the ultimate loser if the discounters drive out the conventional drug store.

The discounter influx hasn't been the only challenge. Crown couldn't escape the bad economic fallout that has battered Winston-Salem in the last two years. That's included the RJR-Nabisco headquarters move to Atlanta, an AT&T plant closing, the bankruptcy of major employer McLean Trucking Co., and the loss of Piedmont Airlines' jobs through Piedmont's merger with U. S. Air.

Crown was hit again when RJR-Nabisco opened its own HMO for employees, sapping thousands of prescription dollars from local drug chains.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

NEW YORK, 1928 — The Walgreen unit in Times Square, New York, recently capitalized on its location in the center of the theatrical district by staging a special window display of makeup items. A large green panel bordered with gold colored silk, fluffed out at the top and crowned with a huge bow, announced that this was headquarters for theatrical make-up and also for the regular cosmetics that other than stage folk use.

50 years ago

SANTA MONICA, Calif., 1938 — Robert Ripley set the theme of a window display of sundries at the Thrifty drug unit, Fourth St. and Wilshire Blvd., Santa Monica, Calif., where Sherman Mabry is manager.

An enlarged photograph of the famous cartoonist dominated the center of the window. "Believe It Or Not" appeared in large letters below the photo with the message, "You can get all these items at Thrifty Drug Stores!"

The display included birdseed, canvas gloves, lunchboxes, electric heaters and a variety of other household goods.

40 years ago

ERIE, Pa., 1948 — To stress the significance of its prescription labels, Eckerd's Drug Stores, Erie, Pa., ran a newspaper advertisement which read: "The label that we put on every box, bottle or jar. . . is a symbol which stands for the highest measure of painstaking professional care and skill in the compounding operations. . . a symbol which attests to pinpoint precision which assures letter-perfect translation of your doctor's prescription. In short, our label is the hallmark of prescription perfection."

30 years ago

LEMOYNE, Pa., 1958 — Displays of combat helmets, canteens, and mess kits at Rea & Derick, Lemoyne, Pa., highlight current popularity of military toys. Combat gear, figurines, rifles and mechanical toys have been sharing the sales bulge.

20 years ago

CLEARWATER, Fla., 1968 — Eckerd of Florida is a strong believer in the principles of equality among the sexes—even in the warehouse. The fast-growing chain has appointed Mrs. Lillian Carroll as assistant manager of the Orlando division warehouse. The appointment marks the first time Eckerd's has had a woman filling such a capacity.

10 years ago

INDIANAPOLIS, 1978 — Hooks Drug is walking a tightrope between health service and energy conservation.

The Indianapolis-based chain has announced it's taking special measures to save energy in the wake of the coal miners' strike. The move affects its 230 drug stores across the state.

According to company president Norman P. Reeves, nearly all in-store and distribution center lighting has been cut at least 50 percent. All outdoor store lighting, except security lighting at front and rear doors, has been eliminated.

Yule fragrance sales: Where's the excitement?

By Elizabeth Parks

As chain drug store fragrance buyers finalize their review of this past Christmas's sales, those *Drug Store News* have talked to say it was business as usual: they were neither too pleased or displeased.

Overall Christmas were flat, but some brands like Lady Stetson, Vanderbilt, Stetson, Chaps and Old Spice did well—a pattern that has persisted for several years.

Buyers often blame the category's lackluster performance on the fact that there aren't any "new brands" this year or that current advertising isn't creating any "excitement" within the category. But even when new products like a Lady Stetson or a Xia Xiang do hit the market, buyers generally report their individual growth comes at the expense of older, more mature brands.

For a long time now, we have felt there's more to the story than just an overall lack of excitement in an apparently stagnant category.

Frankly, chain drug stores could be hurting their own fragrances sales by failing to fully and efficiently merchandise the category at Christmas.

We had no way of testing our theory, because no one was monitoring what was actually happening to Christmas fragrance merchandising at the store level. . . until now.

At our request, Spar Marketing Services, an Eden Prairie, Minn.-based company that specializes in in-store merchandising data collection for packaged good manufacturers, audited the fragrance departments of 415 chain drug stores, five weeks prior to Christmas '87.

Spar's research of chain drug stores notes the effectiveness of freestanding fragrance displays.

Spar measured the merchandisings factors that could positively or negatively make an impact on drugstore Christmas fragrance sales, including:

- The size of the fragrance department in an average chain drug store at Christmas;
- The percentage increases in Christmas display space versus everyday space (defined as the 10 months prior to the November/December Christmas season);
- The use or non-use of off-shelf displays that can draw shoppers' attention to popular and advertised brands;
- The use or non-use of point of purchase (POP) aids to make the displays truly eye-catching;
- The displaying of fragrance under glass which can minimize shrink, but often at the expense of incremental sales;
- The week in October or November when the majority of chain drug stores managed to get their displays out on the floor; and
- The efficiency correlation between dollar market share for selected key brands and the share of actual display space actually given these brands by the stores in the study.

We worked with Spar data, analyzing and correlating it to market research estimates of November/December dollar sales for fragrances in drug stores. Space allocations by Spar, were compared to current fragrance brand market share information.

The charts and the summaries shown in this issue are based on our analysis of Spar data, as well as imput from chain drug fragrance merchandisers and buyers, and from fragrance manufacturers.

With this study, we hope fragrance buyers and merchandisers, store managers or cosmetic sales clerks will understand how the average chain drug store did merchandising fragrances last Christmas, but particularly use this information for their Christmas '88 merchandise planning.

We want to give special thanks to Spar, in particular Lori Dick and her staff, for the energy and the insights that made this report possible.

Spar research allows examination of fragrance sales-space relationship

What is particularly useful about this Spar study of Christmas fragrance sales is how it allows retailers to observe a relationship between brand sales and the amount of space chain drug stores allocate to those brands.

For example, Chart 4 points out how Pay Less NW gave the fragrance department the largest amount of Christmas display space of chains surveyed: approximately 338 feet for the average Pay Less.

Rite Aid gave the category the smallest amount of Christmas display: approximately 75 feet per store.

Most buyers agree, that given the relative size of Pay Less and Rite Aid, the space allocations are "reasonable" or as one buyer said, "about what you would expect given the fact that the average Pay Less store is two or three times bigger than the average Rite Aid store."

Key to maximization

However, buyers also say the way to determine whether Pay Less and Rite Aid both maximized their fragrance sales potential is to calculate the relationship between the average store sales increases in fragrances and their per-store average increases in space allocations.

The average Pay Less store, for example, increased the size of its fragrance department at Christmas by 88 percent and the average Rite Aid store increased its department by 135 percent.

Readers who want to compare their November/December two-month fragrance sales to their average dollar sales for the five two-month periods prior to Christmas '87 can do so by adding the first five two-month sales periods, dividing them by five and then comparing the resulting dollar sales volume to the volume generated during November and December.

Continued on page 14

Chart 1A: The effect on sales of fragrance Christmas display allocations in chain drug stores

(average linear ft.)

Average size of everyday dept.	85.8
Average additional promotional space given at Christmas	75.1
Total display space	160.9
Average percentage increase in space allocations	88%
Average percentage increase in sales for Nov.-Dec. '87, compared to average sales for five preceding bimonthly periods	44%

Source: *Drug Store News*/Spar Marketing Services

What buyers say should be done to maximize Christmas fragrance sales

1. Use every available nook and cranny for strong displays, but don't expand space so much that turns are sacrificed.
2. Only put the strongest brands on display, which buyers evaluate by the following:
    - Dollar market share on a year-around basis;
    - The brand's share during the preceding November/December Christmas periods;
    - The manufacturer's presentation for the products: packaging, displays, POP, etc.;
    - The manufacturer's promotional support plans for the brand: print advertising, television exposure, sampling, etc.
3. Constantly look for what may become exciting new products or an exciting relaunch of a mature and possibly flat brand.

DrSN-Spar fragrance study

Continued from page 13

We did that for the average chain drug store in Chart 1B, based on market research dollar sales estimates given to us by manufacturers.

Chart 1B indicates that the drugstore industry increased its fragrance sales 44 percent during the two month Christmas period compared to the average sales volume for the preceding five two-month periods.

For the Christmas November/December time period, however, the average drug store increased its space allocations for fragrances by 88 percent over the regular display space for the first 10 months of the year.

At a superficial glance, it might seem as if the industry did not maximize its return on the space invested in Christmas fragrances: a 44 percent increase in sales compared to an 88 percent increase in space yields an index of increased business of just 50 percent.

But there are so many different factors to consider in determining what would be the best possible "achievable" efficiency correlation or index between sales and space increases, that *Drug Store News* and the buyers and manufacturers we talked to did not draw that conclusion.

Instead the correlation left us with a series of questions: whether an index of approximately 50 percent represents the best performance the average chain drug store can expect from fragrances at Christmas, or whether it is realistically possible to improve the correlation by giving the category more space and more creative merchandising at Christmas.

Some buyers who reviewed our study chain-by-chain felt that it might not be possible for many stores to increase the physical space they already give fragrances without simultaneously reducing turns.

However, all the buyers felt there were merchandising improvements that the average chain drug store can make in its fragrance merchandising.

Going through this study, the following questions should be asked:

- Were the right brands out for display, the popular brands with the strongest market shares?;
- Was the strongest possible type of display: a focal point island display supported by POP?;
- Was expanded shelf depended on too heavily to generate sales, resulting in poor sell-throughs?;
- Were too many popular brands under glass, without a sufficient number of sales assistants to move them through?

Every retailer knows that good off-shelf displays increase turns. This should be kept in mind when an evaluation is made of the brands in charts 1B and 1C.

Note should also be made of Chart 14, the brand efficiency chart for women's fragrances, which shows that out of all the women's brands we audited, Charlie and Jontue generated the most turns and the highest sales in the space they were given at Christmas. The correlation is based on their market share sales at Christmas compared to their space allocations at Christmas.

These charts show why these two brands did so well. They were in distribution in almost all of the stores surveyed, and approximately six out of every 10 stores that stocked these brands gave then off-shelf display space at Christmas.

Xia Xiang was a new launch last year and perhaps deserved more display support than it was given. However, many retailers say Xia Xiang did very well last year, and in many cases sold out of stores before Christmas.

In men's fragrances, Old Spice and English Leather were outstanding in their effciency cor-

Continued on page 16

Chart 1B: Drug chains building displays for women's fragrance brands

(in percent)

Brand	Stores carrying brand at Christmas	Carriers displaying brand at Christmas
Charlie	99%	66.8%
Jontue	96	56.9
Vanderbilt	94	58.4
Lady Stetson	91	58.6
Enjoli	91	49.6
Chantilly	89	60.8
Primo	88	60.1
Forever Krystle	88	57.1
Le Jardin de Max Factor	85	54.6
Scoundrel	84	30.7
Intimate	80	43.9
Aviance	72	37.7
Glorious	52	60.9
Xia Xiang	43	23.4
Jungle Gardenia	34	13.0

Chart 1C: Drug chains building displays for men's fragrance brands

(in percent)

Brand	Stores carrying brand at Christmas	Carriers displaying brand at Christmas
Chaps	97%	54.1%
Stetson	93	64.1
*Brut Cologne	85	45.6
Pierre Cardin	85	48.1
*Old Spice	79	51.1
Cologne	80	51.1
*English Leather	80	51.6
Carrington	80	43.9
Adidas	68	31.4
Iron	61	38.9
Jovan Musk	61	50.9
Night Spice	53	29.2
Dallas	34	23.9

*Any brands merchandised in men's toiletries section would not have been measured; neither were after-shave products measured.

Source: *Drug Store News*/Spar Marketing Services

Chart 2: How space allocations at Christmas varied for select women's brands

(selected brands ranked by total average linear ft.)

Brand	Total Christmas display space	% increase in space allocations at Christmas
Vanderbilt	5.9	111%
Chantilly	5.8	152
Le Jardin de Max Factor	5.5	189
Charlie	4.8	118
Forever Krystle	4.3	115
Primo	4.3	169
Jontue	4.1	128
Glorious	3.9	144
Lady Stetson	3.8	171
Enjoli	3.3	136
Aviance	3.2	146
Xia Xiang	3.2	146
Intimate	3.0	150
Deborah's ScentSational Scents	2.9	164
Jungle Gardenia	2.4	200
Total of all fragrances	39.9	105

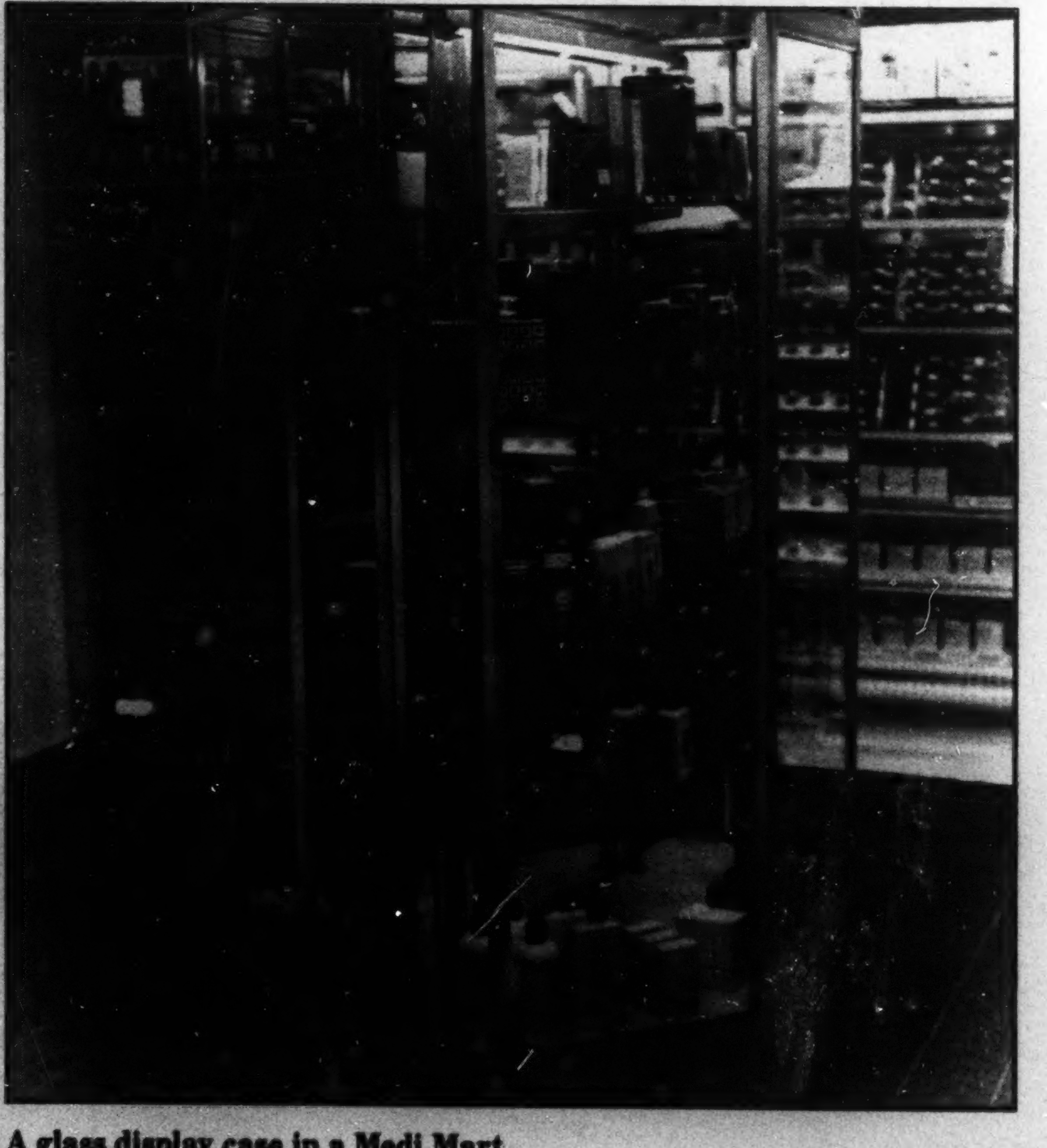
Source: *Drug Store News*/Spar Marketing Services

Chart 3: How space allocations at Christmas varied for select men's brands

(selected brands ranked by total average linear ft.)

Brand	Total Christmas display space	% increase in space allocations at Christmas
Old Spice Cologne	6.6	214%
Stetson	5.9	247
Brut Cologne	5.0	194
English Leather Cologne	4.4	144
Jovan Musk	3.9	144
Pierre Cardin Original	3.9	95
Chaps Original	3.5	119
Carrington	3.0	114
Iron	2.9	164
Adidas	2.6	160
Dallas	2.5	150
Chaps Musk	2.5	127
Night Spice	2.1	163
Pierre Cardin Musk	2.1	133
Total all brands mentioned	30.4	129

Source: *Drug Store News*/Spar Marketing Services



A glass display case in a Medi Mart.

Q: What's unmistakably masculine?
A: Zorro.

DrSN-Spar fragrance study

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relations (Chart 15), but they did it with displays in just half the stores that stocked them. Stetson also had a respectable efficiency correlation, but Stetson is a higher-priced brand that was well supported with displays in 64 percent of the stores that carried it.

Pierre Cardin and Brut Cologne had displays in nearly half the stores that stocked them, but neither did well in our effeciency correlation.

Adidas did well in our efficiency chart, in spite of the fact that only a third of the stores that carried Adidas displayed it.

Charts 2 and 3 can be used to see which brands got the most footage out of the average fragrance department, and how much their average display allocations changed at Christmas.

Ranked space allocations

There were stores belonging to more than 40 drug chains audited in our survey, but we wanted retailers to be able to compare their average space allocations for fragrances to the average for the stores owned by the audited chains generating the highest volume drug sales.

Chart 4 shows how these high volume chains compared in relation to their average fragrance Christmas display space allocations, and their standings and allocations for the average drug store can be used as a basis for comparison by other retailers on how their own stores did last Christmas.

Displays

Fragrance buyers and merchandisers tell *Drug Store News* that island and freestanding displays are the strongest way to merchandise fragrances at Christmas, primarily because they create a focal point for the department while they highlight the best selling brands.

They also create the right "atmosphere" for a chain drug store trying to sell fragrances, buyers say.

The 60 percent of stores who used islands and freestanding displays for women's fragrances last year were then in synch with the merchandising technicques that most fragrance merchandisers wanted in their stores last year.

The 41 percent, however, who gave expanded shelf space to women's fragrances may have been hurting the category by making it harder to generate turns. The 44 percent of stores who used endcaps may inadvertantly have been creating the wrong image for fragrance merchandising. Several fragrance merchanisers told us that ends are best used for toiletries and sundry merchandise at Christmas.

Buyers say the same strategies also apply to merchandising men's fragrances with one exception: a fragrance like Old Spice or Brut, which some shoppers consider a toiletry, can be merchandised effectively on an endcap.

However, the mass prestige brands will do better if they're merchandised in floor stands and in counter prepacks.

The chains that are known to do the best job in merchandising fragrances at Christmas, Walgreens, CVS and Longs (see charts 16-18) had freestanding focal point displays of Vanderbilt in most of their stores, and Walgreens

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Chart 4: Ranked comparisons of drug chains' average space allocations at Christmas for all fragrances

(in linear ft.)

Chain	Everyday space allocations	Additional promotional space given at Christmas	Total Christmas display space	% increase in additional space at Christmas
Pay Less NW	179.9	158.7	338.6	88%
Skaggs/Osco	101.8	136.7	238.5	134
Longs	166.8	66.6	233.4	40
Osco	137.1	93.1	230.2	68
Pay 'n Save	85.0	141.9	226.9	167
Page	115.0	111.0	226.0	97
A.D. Clark	178.9	42.2	221.1	24
Sav-on/Osco	93.9	113.3	207.2	121
Thrifty	112.3	88.2	200.5	79
Dart	106.0	78.0	178.0	74
Eckerd	69.8	106.5	176.3	153
Perry	79.1	95.2	174.3	120
Thrift	117.6	56.3	173.9	48
Walgreens	75.0	96.2	171.2	128
SupeRx	122.7	40.6	163.3	31
Average for all chain drug stores	85.8	75.3	160.9	88
Arbor	86.1	71.9	158.0	84
Peoples	69.0	84.5	153.5	122
Snyder	80.9	53.3	134.2	66
Brooks	60.3	70.4	130.7	117
CVS	69.2	59.8	129.0	86
Medicare-Glaser	55.4	65.0	120.4	117
Revco	56.9	43.8	100.7	77
Bill's	85.3	13.5	98.8	2
Genovese	81.0	11.0	92.0	14
Pathmark	70.0	7.3	77.3	10
Rock Bottom	71.0	4.5	75.5	6
Rite Aid	32.0	43.1	75.1	135

Source: *Drug Store News*/Spar Marketing Services

Chart 5A: How chain drug stores merchandised women's fragrances at Christmas

(Percentage of stores using these specific types of displays)

Endcap	44.0%
Counter	34.3
Island or freestanding	59.7
Expanded shelf space	41.4

Source: *Drug Store News*/Spar Marketing Services

Chart 5B: Chain drug stores' strategies for merchandising Vanderbilt at Christmas

(in percent)

Chain	Endcap	Counter	Island or free-standing	Expanded shelf space
Brooks	20.0%	0%	0%	100.0%
CVS	7.7	0	61.5	30.8
Dart	16.7	66.7	16.7	0
Drug Fair	0	50.0	50.0	0
Eckerd	6.3	0	87.5	6.3
Genovese	100.0	0	0	0
Osco	23.5	5.9	41.2	35.3
Peoples	0	25.0	62.5	25.0
Revco	7.7	15.4	53.8	30.8
Rite Aid	20.8	8.3	41.7	25.0
Sav-On/Osco	0	0	20.0	80.0
SupeRx	0	0	0	0
Thrift	33.3	55.6	11.1	0
Walgreens	6.7	6.7	80.0	10
Pathmark	0	0	0	0
Medicare-Glaser	20	0	20	60
Longs	0	0	71.4	28.6
Page	0	0	0	0
Snyder	50.0	0	50.0	50.0
Pay Less NW	50	0	33.3	50
Skaggs/Osco	57.1	0	42.9	0
Pay 'n Save	100.0	0	20.0	20.0
Perry	66.7	20.0	0	26.7
Arbor	0	33.3	16.7	66.7
Thrifty	21.4	14.3	28.6	57.1
Bill's	0	0	100.0	0
A.D. Clark	0	100.0	0	0
Rock Bottom	0	0	0	0

Source: *Drug Store News*/Spar Marketing Services

Chart 5A: How chain drug stores merchandised men's fragrances at Christmas

(Percentage of stores using these specific types of displays)

Endcap	47.3%
Counter	22.9
Island or freestanding	52.7
Expanded shelf space	42.3

Source: *Drug Store News*/Spar Marketing Services

Q: What's unmistakably a favorite of men?

A: Zipper.

DrSN-*Spar Fragrance Merchandising Study*

Chart 7: How chain drug stores displayed select major women's fragrance brands during Christmas

(% of stores using these specific types of displays)

Brand	Endcap	Counter	Island or free-standing
Glorious Perfume	9.7%	6.5%	67.7%
Jungle Gardenia	9.6	9.6	57.7
Enjoli	13.1	12.6	52.8
Deborah's ScentSational Scents	6.5	28.3	52.2
Glorious Eau de Toilette	25.8	10.1	50.6
Xia Xiang	16.0	24.5	48.9
Lady Stetson	16.2	12.8	48.5
Primo	16.2	16.2	47.7
Chantilly	16.0	15.6	47.5
Jontue	21.1	13.2	47.4
Charlie	27.2	12.7	46.3
Forever Krystle	19.2	17.0	45.4
Le Jardin de Max Factor	20.1	17.4	45.2
Scoundrel	19.5	15.4	44.7
Intimate	23.9	13.6	44.3
Vanderbilt	22.9	12.7	44.1
Aviance	16.6	19.2	41.1

Source: *Drug Store News*/Spar Marketing Services

AGRANCE
AGRANCE

This Austin Drug unit displays fragrances on glass shelving, with occasional use of a freestanding display.

DrSN-Spar fragrance study

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had a very small incidence of expanded facings on shelf.

Buyers who had a preliminary look at this chart said chains should not have more than 20 percent of their stores giving Vanderbilt expanded shelf space at Christmas because it is too hard to get turns from off the shelf.

They also said that an upscale brand like Vanderbilt probably gets the most impact when it's merchandised on a freestanding display.

As a new mass prestige women's fragrance last Christmas, Glorious Perfume, out of all the brands audited, probably got the best type of merchandising displays from chain drug stores (see charts 7 and 9).

Nearly 68 percent of the stores in our survey gave Glorious what buyers call the proper "atmosphere" for attracting shopper attention: an freestanding island floor display.

Jungle Gardenia got the next best type of merchandising treatment and Deborah's alternative designer line of ScentSational scents also was given good exposure.

Chart 8: How chain drug stores displayed select major men's fragrances during Christmas

(% of stores using these specific types of displays)

Brand	Endcap	Counter	Island or free-standing
Night Spice	21.4%	7.7%	49.6%
Dallas	17.7	11.5	43.8
Stetson	26.8	9.3	43.2
Adidas	15.9	10.3	42.1
Carrington	17.6	14.8	39.8
Pierre Cardin	23.7	13.0	39.5
Jovan Musk	21.6	2.7	39.2
English Leather Cologne	23.7	11.6	38.6
Chaps Original	26.4	9.6	37.6
Iron	22.4	17.3	35.9
Chaps Musk	30.6	7.5	35.4
Pierre Cardin Musk	25.6	14.6	35.4
Brut Cologne	28.4	11.5	31.1
Old Spice Cologne	45.4	9.8	24.9

Source: *Drug Store News*/Spar Marketing Services

Chart 9: Percentage of chain drug stores expanding shelf space for select women's brands last Christmas

Chantilly	32.0%
Lady Stetson	31.1
Aviance	29.8
Primo	29.5
Enjoli	28.6
Le Jardin de Max Factor	28.3
Forever Krystle	27.9
Intimate	27.8
Vanderbilt	27.3
Jontue	27.2
Scoundrel	26.0
Charlie	25.4
Jungle Gardenia	25.0
Deborah's ScentSational Scents	21.7
Glorious Eau de Toilette	19.1
Xia Xiang	17.0
Glorious Perfume	16.1

Source: *Drug Store News*/Spar Marketing Services

Chart 10: Percentage of chain drug stores expanding shelf space for select men's brands last Christmas

Brut Cologne	37.2%
Carrington	36.4
Chaps Original	35.5
Chaps Musk	33.3
Jovan Musk	33.3
English Leather Cologne	33.3
Stetson	32.7
Old Spice Cologne	32.7
Adidas	31.7
Iron	31.4
Dallas	31.3
Pierre Cardin Original	28.2
Pierre Cardin Musk	28.0
Night Spice	23.1

Source: *Drug Store News*/Spar Marketing Services

When buyers evaluate how well these brands performed in their stores last Christmas, they should keep in mind the type of merchandising exposure they were given.

Glorious, for example, should have had relatively good turns last Christmas because of its exposure.

Aviance might not have turned as well because only 41 percent of the stores in our survey chose to give it an island display, and 30 percent of the stores merchandised Aviance by expanding facings on the shelf. It's harder, of course, to turn from the shelf than from an island display.

As charts 8 and 10 show, of the men's brands audited, the average chain drug store gave the most efficient merchandaing display space to Night Spice and Dallas, two new entries in the men's fragrance category.

Brut Cologne may have been handicapped, because 37 percent of the stores in the survey expanded its facings on the shelf, a strategy that generally yields the least dramatic increase in turns.

Only 31 percent of the stores in our survey gave Brut a freestanding island display, and that low access to prime retail space may also have hurt the brand at Christmas.

Forty-five percent of the stores gave Old Spice an endcap at Christmas, a strategy many buyers say makes sense because Old Spice is also considered a toiletry product and customers would feel comfortable buying it from an end.

Timing is everything

The average chain drug store was late in getting its Christmas displays up last year.

As Chart 11 shows, Only 17 percent of the stores in our study had their holiday displays up by mid-October, and the bulk of the stores, 73 percent, didn't have them up until the week of Nov. 7th.

Buyers say such lateness hurts the industry, both because early sales are lost and because the average chain drug store loses a chance to create the ideal "atmosphere or environment" for encouraging fragrance purchases.

Just half the chain drug stores in our survey used POP to support at least one display in their stores last Christmas.

Most buyers who reviewed this study called that performance "deplorable." "You can't go overboard and have POP all over the store," said one buyer, "but if you have a fragrance advertised at Christmas, as we all do, then at least that ad price should be highlighted on the display.

"And a display without pic-

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*Chart 11: Time by which the average chain drug store erected its Christmas Fragrance displays**

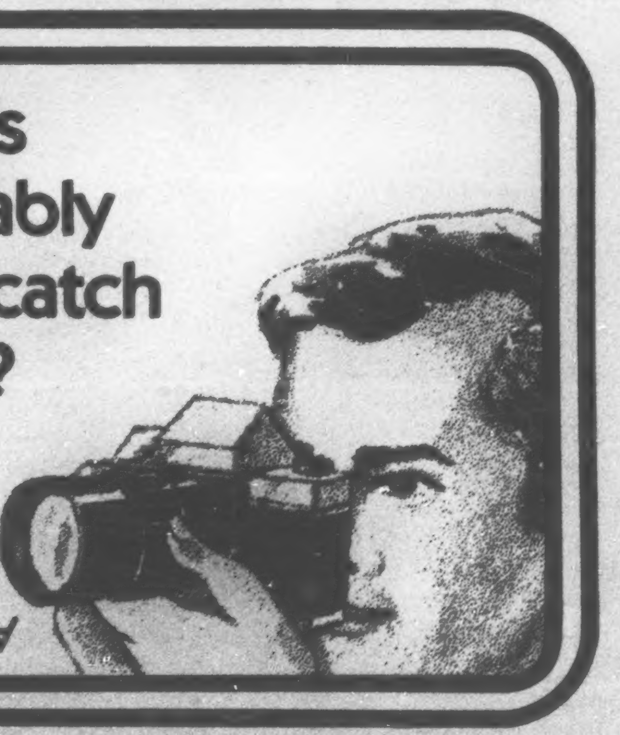
Week in which Christmas displays were up	% of stores with displays up at this time
Oct. 3, 1987	0.7%
Oct. 10	10.6
Oct. 17	17.3
Oct. 24	23.1
Oct. 31	34.1
Nov. 7	72.5
Nov. 14	87.5
Nov. 21	100.0

*Based on 325 stores, 81% of all stores in the Spar audit.

Source: *Drug Store News*/Spar Marketing Services

Q: What's unmistakably ready to catch your eye?

A: Zoom lens.



DrSN-Spar fragrance study

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tures or without art of some kind will never sell well."

Several other buyers deplored the lack of "creativity" in the average chain drug store at Christmas, and said the situation will have to change or "one day, most of these chains aren't going to be around any more."

Sixty-six percent of all the stores audited in this survey merchandised at least some of the tracked brands under glass last Christmas.

Buyers were aware of this problem, but were hard-pressed to provide an answer. Some buyers felt their stores had no choice but to put the better brands under glass to minimize shrink. Others felt if the product was going to go under glass, out of the range of a service clerk who could quickly respond to customers, then there was "no sense in stocking that brand at all, because it won't sell enough to justify its space."

The best that buyers could recommend was that chains spend more time training clerks to service the fragrance shopper at Christmas. For self-service chains like Revco and SupeRx, this might be difficult, but most buyers felt it could pay off in increased fragrance sales.

To help readers determine if they are maximizing the strengths of specfic fragrance brands in your stores, *Drug Store News* used the Spar data and current market research estimates of drugstore dollar sales share to develop a correlation between the sales share for selected brands and Christmas display space allocations.

We used recent market research estimates of dollar sales share and Spar's measurements of the total footage for all women's fragrances (Chart 14) and all men's fragrances (Chart 15) in our 415-store survey to develop a ratio between dollar sales share and specific brand space allocations at Christmas.

We reasoned that if there is a 1-to-1, or 100 percent, correlation between dollar sales share and space, then the average chain drug store will have maximized its merchandising of the brand we're measuring.

In the correlation is higher than 100 percent, then the average drug store is getting exceptionally good turns on that brand and might be able to capture even more sales if that brand is given additional space.

With a correlation higher than 100 percent, it is also possible that the average store may be sacrificing potential incremental sales for the sake of higher turns or higher productivity per each square foot of space.

That may be a good strategy. But here, at least, readers can see which brands might deserve additional space at Christmas, and which brands may be under-productive.

If the correlation between dollar sales market share and Christmas display space allocations is lower than 100 percent, that brand is getting more space than its sales deserve, or possibly the brand is getting lost because the merchandising is poor and is not getting attention it deserves.

Retailers also consider other factors in allocating space, such as whether a brand's sales are guaranteed.

Chart 12: What chain drug stores are and aren't doing with POP

(For all brands surveyed)

Percentage of stores with at least one point-of-purchase display 50.1%

Source: *Drug Store News*/Spar Marketing Services

Methodology of the study

The *Drug Store News* Fragrance Display Audit was implemented by Spar Marketing Services, an Eden Prairie, Minn.,-based organization that specializes in collecting merchandising data for packaged good manufacturers.

Through its national field organization of over 500 people, Spar monitors brand and category activity in over 4,000 food, drug, and mass merchandise stores in 107 markets weekly.

Spar specializes in measuring and analysing off-shelf display activities, on-shelf presentations, new item introductions and competitive product tracking.

For this first-of-its-kind *Drug Store News* study, Spar sampled a universe of 415 chain drug stores in 20 major metropolitan markets.

This statistically representative sample yielded a confidence level of 95 percent with a standard deviation error level of plus or minus 4.9 percent.

The audit was done on Nov. 19th.

Whenever possible, the auditors contacted the store manager or the cosmetic clerk in charge of fragrances and asked for their help in determining the average everyday size of the fragrance department and the additional space increases at Christmas.

In the men's fragrance category, the auditors excluded all after-shave products and just measured display space for colognes.

The definition used to measure point of purchase items was the presence on a display of any one (or a combination) of the following: banner, neck/bottle hanger, shelf talker, pole topper, header card, carton stuffer, take-one pad, poster, valence, or "other" attention getter that doesn't fit into typical categories.

Chart 13: Chain drug stores merchandising fragrances under glass

(Percentage of stores with at least some brands merchandised under glass)

All fragrances	**66.4%**
All women's fragrances surveyed	**62.7**
All men's fragrances surveyed	**45.5**

Source: Drug Store News/Spar Marketing Services

Chart 14: Women's fragrances efficiency index

(Total display space in square feet correlated to dollar sales*)

Charlie	**141%**
Jontue	**.141**
Xia Xiang	**.138**
Lady Stetson	**.130**
Forever Krystle	**.124**
Vanderbilt	**.116**
Primo	**.105**
Enjoli	**.100**
Glorious	**.100**
Scoundrel	**.72**

*Based on market research estimates for the Nov./Dec. 1987 period. Correlation was determined by dividing dollar share of women's sales by Spar's measurement of total space allocated to these brands in women's fragrance sections.

Source: *Drug Store News*/Spar Marketing Services

Chart 15: Men's fragrances efficiency index

(Total display space in square feet correlated to dollar sales*)

Old Spice	**189%**
English Leather	**.180**
Stetson	**.166**
Adidas	**.128**
Iron	**.128**
Jovan Musk	**.113**
Chaps Original	**.112**
Night Spice	**.108**
Carrington	**.106**
Pierre Cardin Original	**.72**
Brut	**.67**

*Based on market research estimates for the Nov./Dec. 1987 period. Correlation was determined by dividing dollar share of men's sales by Spar's measurement of total space allocated to these brands in men's fragrance sections.

Source: *Drug Store News*/Spar Marketing Services

A customer peruses merchandise displayed on a fragrance shelf in a Perry Drug Store.

CVS, Walgreens, Longs the best at fragrance merchandising: retailers

CVS, Walgreens, and Longs have been singled out as the chains who best merchandise fragrances by retailers who've seen preliminary reports of *Drug Store News's*-Spar's fragrance Christmas merchandising study.

Each of these chains is known for doing an outstanding job in merchandising. Each represents a different segment of the industry: CVS is a bantam drugstore whose average size is about 7,000 square feet; Walgreens is a traditional drug store averaging about 12,000 square feet; and Longs is a super drug store averaging about 24,000 square feet. (See charts 4 and 16 through 18.)

The average CVS store in our audit gave 129 linear feet to fragrances at Christmas, an increase of 86 percent over their normal everyday department; Walgreens gave the department 171 linear feet at Christmas, up 128 percent over everyday; and the average Longs gave 233 feet to fragrances, an increase of 40 perent over everyday.

> *'The way to achieve turns is to get that product off the shelf.'*

The retailers who saw our study all made the same point: Each of these chains seem to have fragrance departments that are large enough to make an impressive statement to the consumers, but not so large that they fail to yield an adequate return on investment.

One buyer said there was "no question that Walgreens is the best fragrance merchandiser in the drug store industry," and he added that "CVS and Longs are also very, very good at what they do with fragrances. Their sales and their sell-throughs prove it."

Too much space given?

In contrast, several retailers said that some of the audited chains' stores may be giving too much space to fragrances, both at Christmas and everyday.

One merchandiser questioned whether Osco Drug, whose average store is about 15,000 square feet, really needed 230 feet for fragrances at Christmas or 137 feet everyday. He also wondered if Pay Less NW, whose average store is about 20,000 square feet, might also be giving too much space to fragrances, both at Christmas and everyday.

"You want to achieve turns as well as sales," he pointed out,"and during the year, that much of an investment in fragrances doesn't sell. I also think by increasing the space at Christmas as much as they have, they could be compounding the problem with turns."

"You have to make the category strongly visible in your stores at Christmas, said Steve Lund, vp-merchandising for Perry Drug Stores, "or you lose the chance to even start to be competitive in the category—but you also have to balance your allocations and inventory against turns and return on investment."

The retailers who gave us feedback on the study also said that it was critical to be "creative with the category,": getting the product off the shelf, getting it out from under glass, and making it very visible with attractive focal point displays, especially at Christmas.

One merchandiser, who is considered one of the best in the business, said he could not stress strongly enough how important it is to use focal point displays in the stores.

"An endcap is just not the right environment for fragrance merchandising," he said. "At Christmas, they can be put to better use to stock toiletries or sundries."

The retailers also agreed that it was self-defeating to expand facings on the shelf at Christmas because fragrances on the shelf just do not turn fast enough to justify increased facings, even at Christmas.

One merchandise manager said that any store that depends on expanded shelf space to generate sales "can expect to have a lot of returns for the manufacturer or they can be assured they'll have at least a six-month backlog of stock on those brands after Christmas."

Merchandising experts also agreed that Christmas pre-packs and POP were very important in generating impulse sales and should be used more often by the average chain drug store.

"The way to achieve turns is to get that product off the shelf, and give it a good display." is how one buyer put it. She said her chain works with the major manufacturers to build strong floor displays for the best-selling brands at Christmas, and to find the right environment to highlght the pre-packs.

"Most manufacturers only create pre-packs for their best selling brands, so that's what you use at Christmas," she said.

Our findings also showed that only half the stores in our survey used POP aids like banners, price signage, pictures, etc., to support their fragrance displays at Christmas. The other half of the stores in our survey lacked even one fragrance display with POP.

Most stores in our study also put many of the best-selling brands under glass, a tactic one buyer said was "self defeating."

"If you're going to be in the fragrance business, then you can't merchandise the mass brands under glass," he said. "They just won't sell."

"If you have to use glass, then there has to be a girl there constantly who can service the shopper," said another buyer, "or you're going to lose sales. You're going to waste time and money in everything you stock."

Most of the buyers and merchandisers we talked to said they strive to get all the stores to put up their displays by mid-October. One merchandising vp said he wants all the manufacturers to ship into his stores by Oct. 1 or earlier if possible.

However, our study showed that just 17 percent of all the stores audited got their displays up by Oct. 17th, and

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Chart 16: How Walgreens merchandised select women's brands last Christmas

(% of stores merchandising these brands)

Brand	Under glass	Endcap	Counter	Island	With POP
Aviance	50.0%	0.0%	4.8%	85.7%	19.0%
Charlie	31.7	11.1	0.0	86.1	8.3
Chantilly	31.0	11.4	2.9	82.9	14.3
Deborah's ScentSational Scents	27.3	7.1	7.1	78.6	28.6
Enjoli	56.4	3.2	9.7	83.9	9.7
Forever Krystle	26.8	9.7	16.1	74.2	19.4
Glorious	91.2	10.0	0.0	75.0	30.0
Intimate	40.5	8.0	0.0	80.0	4.0
Jontue	32.5	8.8	0.0	85.3	5.9
Jungle Gardenia	55.6	0.0	0.0	83.3	0.0
Lady Stetson	34.1	8.3	5.6	83.3	22.2
Le Jardin de Max Factor	32.5	11.1	2.8	80.6	19.4
Primo	31.7	12.1	15.2	78.8	21.2
Scoundrel	28.9	4.2	4.2	79.2	8.3
Vanderbilt	78.4	6.7	6.7	80.0	23.3
Xia Xiang	35.9	0.0	65.0	40.0	35.0

Source: *Drug Store News*/Spar Marketing Services

Chart 17: How Longs merchandised select women's brands last Christmas

(% of stores merchandising these brands)

Brand	Under glass	Endcap	Counter	Island	With POP
Aviance	12.5%	0.0%	0.0%	66.7%	33.3%
Charlie	12.5	28.6	0.0	42.9	14.3
Chantilly	20.0	14.3	0.0	71.4	28.6
Enjoli	20.0	16.7	0.0	83.3	16.7
Forever Krystle	28.6	25.0	12.5	50.0	37.5
Glorious	50.0	0.0	0.0	66.7	33.3
Intimate	12.5	40.0	20.0	40.0	40.0
Jontue	12.0	28.6	14.3	42.9	0.0
Jungle Gardenia	30.0	0.0	0.0	100.0	0.0
Lady Stetson	13.3	0.0	0.0	50.0	50.0
Le Jardin de Max Factor	38.5	0.0	0.0	83.3	33.3
Primo	27.3	0.0	0.0	100.0	0.0
Scoundrel	6.7	20.0	0.0	80.0	20.0
Vanderbilt	43.8	0.0	0.0	71.4	28.6
Xia Xiang	9.1	28.6	0.0	71.4	42.9

Source: *Drug Store News*/Spar Marketing Services

Chart 18: How CVS merchandised select women's brands last Christmas

(% of stores merchandising these brands)

Brand	Under glass	Endcap	Counter	Island	With POP
Aviance	10.0%	0.0%	0.0%	66.7%	11.1%
Charlie	4.8	6.7	0.0	66.7	20.0
Chantilly	5.0	6.7	6.7	53.3	20.0
Enjoli	4.8	0.0	0.0	50.0	0.0
Forever Krystle	4.8	0.0	0.0	62.5	25.0
Glorious	14.3	0.0	0.0	75.0	12.5
Intimate	6.3	25.0	25.0	25.0	0.0
Jontue	5.3	0.0	0.0	66.7	16.7
Jungle Gardenia	50.0	0.0	0.0	33.3	0.0
Lady Stetson	4.8	0.0	0.0	57.1	7.1
Le Jardin de Max Factor	5.9	0.0	9.1	54.5	27.3
Primo	9.5	5.9	11.8	58.8	29.4
Scoundrel	0.0	33.3	0.0	33.3	0.0
Vanderbilt	4.8	7.7	0.0	61.5	23.1
Xia Xiang	6.3	14.3	0.0	71.4	57.1

Source: *Drug Store News*/Spar Marketing Services

Fragrance sales kit helps clerk personalize efforts

Beauty
Beat
Elizabeth
Parks

Drug Store News's special study on Christmas fragrance promotional display strategies, in this issue, was created to help fragrance buyers, merchandisers and cosmetic clerks identify the merchandising strategies that insure the strongest Christmas sell-throughs on fragrance. It turns out that the study also helped identify some merchandising tactics that can actually impair fragrance sales in drug stores.

Because this was a store-level merchandising study, we really didn't get into the issue of service in our report.

But every retailer we interviewed about the survey mentioned the importance of service in selling fragrances, and everyone wished there were more selling aids available for the front line clerks who do the actual selling in the stores.

With that thought in mind, we thought retailers would like to know about a special new fragrance sales kit just being made available by the Fragrance Foundation in New York.

The kit has been especially designed to help the clerks who sell fragrances personalize their attention to their customers.

Each kit contains 25 cards that are 8 inches long and 5 inches wide. Each card has a message to help clerks make a suggestive sale.

One card, for example, has a list of questions that a clerk can use to create a "personalized customer fragrance profile chart."

Another card gives the clerk a succinct explanation of the effect various blends of fragrances can create: oriental blends, for example, yield an erotic, mysterious scent; a spicy fragrance creates an energetic, exhilarating impression.

The cards give a clerk something to talk to a customer about, making the customer feel special—they tend to like the show of concern about their life styles, likes and dislikes.

The Fragrance Foundation is making the kits available at $10 for members and $15 for non-members, with a discount for bulk purchases.

Currently, Peoples Drug is the only drug chain that is an individual member of the Foundation, but the National Association of Chain Drug Stores (NACDS) does belong to the Fragrance Foundation, and a Foundation spokeswoman said they would cooperate with NACDS in making kits available to its members.

A spokesman for the Foundation said the kits would be particularly useful to drug stores because "unlike most department stores who use sales specialists to sell fragrances, the drug store clerk is typically not a specialist and therefore not as well trained.

* * *

Leonard Lauder, president and chief executive officer of Estée Lauder, also believes that service or the lack of it is a critical issue for the cosmetic/fragrance industry in all channels of distribution.

Speaking in New York recently at a luncheon for some 2,000 fashion and beauty executives, Lauder singled out service as "one of the most critical issues facing the new cosmetics industry."

"The super mergers, taken place in this industry in the last few years," he said, "have created a new homogenation. We're all trying to sell everything and get into everyone else's business.

"But let's listen to our customer. They're trying to tell us they want service. The important point is not our concern with store wide commissions. The point is not about paying a lot of money to train sales clerks for the stores.

"The point is what a woman wants. And when a woman walks into a store and she's confused or overwhelmed by all the variety, she wants to see a smiling face. She wants to talk to a clerk who can greet her by name and who can keep her in touch with the categories she's interested in by telling her what's new or by recommending something that's especially right for her."

Both Lauder and co-speaker Jim Preston, president and ceo of Avon Products Beauty Group, agreed that the cosmetics and fragrance industry can't rely "exclusively or excessively" on price and premiums to sell product.

They both said the fragrance and cosmetic categories have "great potential" for growth although the industry is "mature." Both stressed that the key to unlocking that growth in this era of super mergers and homogenation is "product innovation, quality and service."

"An excessive reliance on price and premiums, as we're seeing today," said Preston, "does not create value."

Fragrance merchandisers

Continued from page 21

just 34 percent had them up by the end of October (see chart 11). It wasn't until the week of Nov. 7th, that the majority of chain drug stores got their fragrance displays and not until the week of Nov. 21 that all stores surveyed had their displays up.

One buyer said that by getting fragrance displays up as early as mid-October, drugstores create "an atmosphere at store level that makes customers want to shop your stores."

He also said that getting displays up early helps drug stores meet the needs of customers who want to shop early. "Fragrance is a category that traditionally gets shopped late," he said, "but you can still get a lot of impulse sales if you put it up early, and in addition to that, you create the right atmosphere for your stores."

INTRODUCING Djeep Junior

New Djeep Junior comes in bright colors, soft colors, strong colors—a dazzling array of the *right* colors to attract *all* customers.

And Djeep Junior is the *only* compact disposable lighter with both adjustable flame control and double tank construction. A quality lighter loaded with *extra* consumer value.

Feature the unique display — peg the striking blister packs — listen to the register ring.

- Precision engineered
- Positive flame control
- Multiple tank construction
- Unconditional performance guarantee

DISTRIBUTED BY
General Cigar Co., Inc.

Chains see smoke signals, adopt new strategies

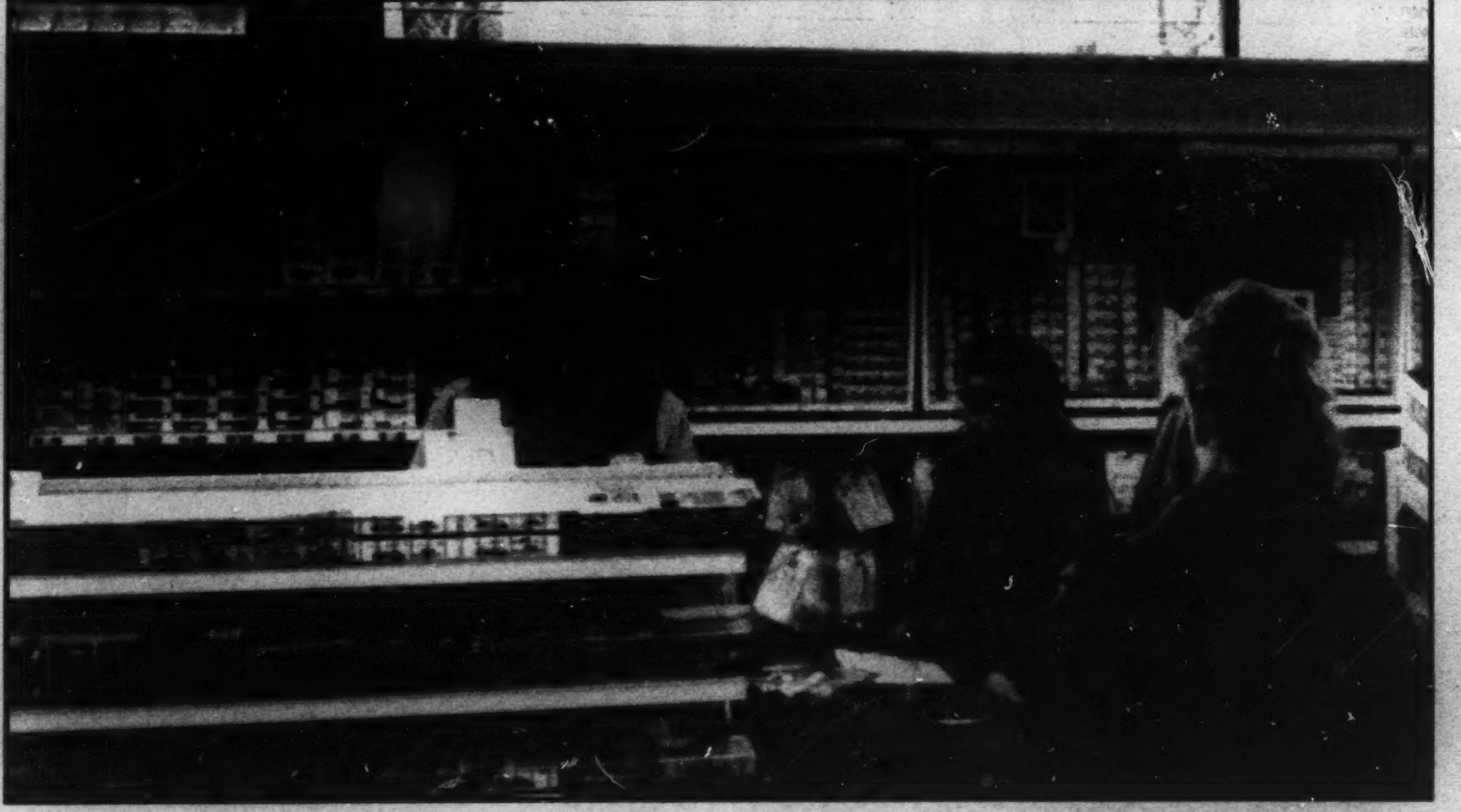
Manufacturers' unit sales of cigarettes declined in 1987, as drug store chains adopted new strategies to maintain sales, preserve profits, and guard against shrinkage.

Unit sales dropped 2.1 percent to 570.38 billion units in 1987, similar to the steady declines of recent years, which have been attributed to consumers' health concerns. Industry sources estimate retail sales volume was down 1.7 percent.

The price/value segment continued to gain share of the market, as more consumers abandoned some brands in the face of two more vendors' price hikes in June and December. They added $2 to the price of 1,000 cigarettes, or 3 cents to 4 cents more per pack.

Price/value items—the branded generics, black and white generics, and value 25's (25 for the price of 20)—captured 10.1 percent of market share, up from 9 percent in 1986, according to John Maxwell, tobacco analyst with Wheat First Securities, Richmond, Va.

Within that category, though, only branded generics gained, with 4.1 percent of share, up from 2.7 percent. RJR-Nabisco's Doral led the growth, and ended with 3 percent share, up from 2.1 percent.


When Genovese opened its elongated front-end format in Albertson, N.Y., cigarettes went to eye-level displays behind the cashiers.

Black and whites dropped to 4.1 percent from 4.4, and value 25's to 1.7 percent from 1.9, Maxwell reported.

Drug buyers say generics' success is tied closely to economic conditions, and they can work in some neighborhoods but not in others.

Many buyers said that although unit sales were down, dollar sales were fairly steady due to the price increases. Buyers told *Drug Store News* they are concerned about the possibility of losing display allowances, as they move cartons and packs behind counters to limit shrinkage.

But the payoff in reduced shrinkage often offsets the lost allowances and lost sales that might occur by eliminating self-service, some buyers say.

"We were losing a lot to theft. So we made the move two years ago to go behind the counter. Ninety-eight percent of our sales now are behind the counter, and shrinkage has dropped to nothing," said Mike Tipton, Begley Drugs' buyer.

Begley displays Philip Morris, RJR-Nabisco and American Brands packs in counter fixtures. The fixtures' assortments are rotated regularly.

While Begley's unit sales were down about two percent last year, profits haven't been hurt as badly from the lost display allowances for carton fixtures, Tipton said.

Vendors have increased allowances for pack displays in response to concerns about shrinkage from self-service carton fixtures, and to chains' preference for countertop locations.

Buyers said vendors have upped the allowance for counter displays about 10 percent, though the payments are still significantly below those given for a self-service carton fixture.

Medicare-Glaser uses only non-self service racks located behind the checkouts, since stores' staffs aren't large enough to police self-service units properly. Seventy percent of sales are from single packs, says Bob Strange, a chain buyer. The St. Louis-based chain saw unit sales decline, while dollar sales increased.

Medicare-Glaser succeeds with black and white generics in demographically suitable neighborhoods. Its branded generics sales have been down, as a result of vendors' lack of advertising for the brands, Strange feels.

Other buyers report different results.

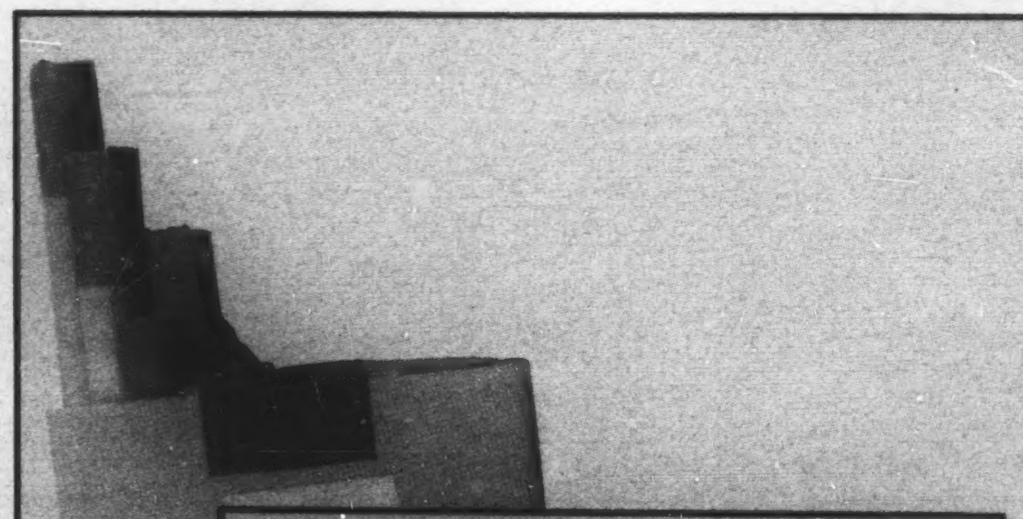
"Black and white is dead. We've never been strong in it. Our customers aren't attracted to them," said Begley's Tipton, noting Begley's customer base tends to be middle class, and above.

Other buyers report success with the branded generics, including Doral, Philip Morris' Cambridge, Brown & Williamson's Falcon Lights, and Liggett & Myers' Quality Lights.

Coremark, the Tulsa-based tobacco and candy distributor, experienced strong sales in Doral and Cambridge as a result of manufacturers' $1 and $2 coupons on cartons. "Customers buy two or three cartons instead of one, and smoke more as a result," said John Sharp, Coremark's sales manager.

Price-value cigarettes accounted for 12 percent of Coremark's total tobacco sales in 1986, and should account for 15 percent in 1988, says Sharp, as they continue to grow. They're hits in blue-col-

Continued on page 26



RJR-Nabisco and Philip Morris build market share leads

(percent share of cigarette market in units shipped)

Company	1987	1986
Philip Morris	37.8	36.8
RJR-Nabisco	32.5	32.3
Brown & Williamson	11.0	11.7
Lorillard	8.2	8.1
American Brands	6.9	7.2
Liggett	3.6	3.9

Source: John Maxwell, Jr., analyst, Wheat First Securities, Richmond, Va.

Multipacks fuel disposable lighter sales

Multipacks have made disposable lighters more attractive to drug chains by allowing higher register rings and more profits.

The highly-consumable items in multipack form provide the high-profit per square inch that chains look for when merchandising their valuable checkout counter territory.

Bic, Universal Match (with its Cricket and Feudor brands), and Scripto-Tokai have helped sales with merchandising systems aimed at spurring the impulse purchase, and with restaged products, such as Bic's Mini Bic, and Universal Match's new Cricket lighter with a flattened shape.

The market grew at a respectable pace, hitting 500 million units in 1987, two percent more than the previous year. Market leader Bic grew unit sales by 5 percent in maintaining a market share in the high sixtieth percentile, according to Joan Kaufer, product manager for lighters.

Most of the growth came from the Mini Bic, particularly in the multipack form, Kaufer said.

Lighters invite repeat purchases, another reason for stores to maintain adequate inventory.

"People buy a five-pack, use three, and lose two," observes Begley Drugs' buyer, Mike Tipton.

Begley gained sales growth last year by regularly promoting them, typically at 30 cents a lighter, with a three-pack for 99 cents. Tipton will sometimes promote a 13 cents lighter "super buy," as well.

Its Bic, Cricket and Scripto lighters take up four feet of a nine- to 12-foot tobacco section.

Medicare-Glaser carries only pegged lighters as part of an impulse section of items including playing cards and disposable razors at the tobacco counter. It typically employs three-for-$1 promotions, says buyer Bob Strange.

The chain is, in fact, the number one distributor of the Feudor brand in the St. Louis market, and also carries Bic and Scripto, Strange said.

Vendors predict bulk displays will catch on, as out-of-stocks are often a problem.

This January Bic rolled out a 100-unit, two-tier bulk display for regular-sized and Mini Bics that takes up seven inches of counter space, and "will be a good adjunct to peggable merchandise," product manager Kaufer predicts.

Disposable lighter sales stable

(millions of units sold at retail)

1987	480
1986	480
1985	465
1984	445
1983	430

Source: Manufacturers' estimates

FDA stats: Enforcement declining during Reagan's term

ROCKVILLE, Md. — Federal Food and Drug Administration enforcement activity fell to a new low last year—a development sure to fuel fresh charges that Reagan Administration FDA officials are sweet on pharmaceutical manufacturers and firms in other regulated industries.

According to the latest official figures released by the agency, the total number of enforcement actions undertaken by FDA during the government's 1987 fiscal year dropped by more than 11 percent. The 23,281 individual actions (e.g. product seizures, recalls, injunctions, etc.) reflect a decline of nearly 3,000 from the 1986 total, and represents the lowest level of enforcement activity by FDA in more than a decade.

Moreover, last year's decline continues a downtrend in federal food and drug enforcement that began at the onset of the Reagan Administration. A special *Drug Store News* analysis of the figures indicates that under the Carter Administration the level of FDA enforcement averaged nearly 40 percent higher than last year's rate.

Much of the drop in FDA enforcement over the past year reflects a sharp decrease in the number of plant inspections conducted by the agency's field personnel. During 1987 FDA conducted only 20,298 inspections—a decline of more than 2,000 from the 1986 level, and 35 percent fewer than the annual average during the Carter years.

The agency's inspection activity peaked in 1981, with more than 36,000 official visits to FDA-regulated facilities. Since then the number of FDA inspections has declined each year.

The agency also experienced a downturn in other types of enforcement activities during fiscal year 1987, however. The number of prosecutions initiated by FDA fell 6 percent last year, product seizures dropped 17 percent, and injunctions declined by 26 percent percent.

The Times
NEWS CLIPS

In addition, the number of "regulatory letters" sent to industry firms warning them of possible food and drug law violations decreased by 13 percent last year.

In the past, FDA officials explained this declining enforcement activity as, at least in part, a result of the Reagan Administration's emphasis on securing voluntary cooperation from regulated industries. Because FDA had successfully convinced many manufacturers to comply with the Federal food and drug law voluntarily, they reasoned, there was less need for the agency to engage in direct enforcement activity.

Voluntary corrections lower

But the total number of "voluntary corrections" conducted by manufacturers dropped slightly during 1987, while the number of product recalls (actions normally undertaken by manufacturers rather than by FDA) fell by 22.

FDA's sagging enforcement pace is even more pronounced when compared with the level of activity during the previous administration.

DrSN's special analysis of FDA enforcement during the four Carter years (fiscal year 1977-80) versus the Reagan period (fiscal year 1981-87) found the number of prosecutions off by 21 percent, regulatory letters down 27 percent, and inspections lower by 12 percent.

Although the number of product recalls announced annually is sharply higher under Reagan, FDA averaged twice as many product seizures and nearly three times as many injunctions during the Carter years.

FDA officials made no comment on the enforcement drop in releasing the latest figures, but the agency did point out that the 1987 statistics do not include the results of FDA's joint crackdown with the Justice Department against illegal anabolic steroid sales.

So far that investigation has produced 124 indictments and 19 convictions or guilty pleas to felony charges, FDA'rs said.

Franchises: What they offer, what it costs

	Number of stores	Franchise fee	Additional costs
Health Mart	411	none	$500 total store merchandising 24,000 annual circular fee $100 monthly TV ad fee $36 monthly merchandising fee
Medicap	63	$30,000	4% monthly sales business services 1% monthly sales ad fee
Super D	60	none	$500 signage 3% monthly sales business services 1½% monthly sales ad fee
Medicine Shoppe	720	$12,000 (conversion) $18,000 (new)	5½% monthly sales business services
Drug Emporium	137	$25,000 store fee	Scales 0-3% sales royalty based on annual earnings .001% annual earnings ad fund

Source: Company reports

For those who would be king. . .

Franchisors can offer a safety net of expertise and assistance for pharmacists who want to be independent but are wary of facing the market alone.

The protection comes at a price. Listed above are costs for franchising for several operations. Specifics vary, but most require a several thousand dollar initial investment and a royalty fee based on monthly or annual sales.

For full information on the dynamics of franchising, see our feature starting on page IP13.

Fraudulent AIDS 'cures', counterfeit drugs proliferate

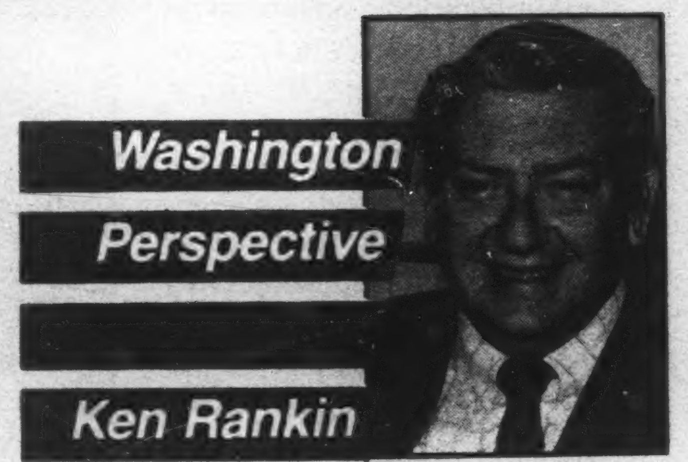
Watch out—FDA officials are warning that the marketplace is being bombarded with phony AIDS drugs! Among the fraudulent AIDS "cures" encountered so far by Federal officials: "blue-green algae, injections of hydrogen peroxide, the food preservative BHT, pills derived from mice that have been given the AIDS virus, and herbal capsules that contain poisonous metals."

According to FDA Commissioner Frank Young, the marketers of these quack "treatments" are also distributing bogus AIDS preventatives. "For uninfected consumers, there are products such as a spermacide that untruthfully claims to kill the AIDS virus and the 'SaniForm,' a piece of plastic to cover telephone mouthpieces that was promoted to protect against infection from public phones," he said. This item, according to Young, "not only takes people's money, but erroneously promotes the idea that AIDS can be contracted by touching items handled by someone infected" with the disease.

* * *

Meanwhile overseas, flagrant counterfeiting of legitimate U. S.-made pharmaceuticals is reaching epidemic proportions, according to a new report from the International Trade Commission. All told, U. S. drug manufacturers lost more than $1.9 billion to foreign patent pirates during 1986 alone, ITC revealed.

In addition to costing American pharmaceutical makers hundreds of millions of dollars in sales of drugs produced abroad, these off-shore patent pirates were responsible for reducing U. S. pharmaceutical exports by $270 million, according to ITC.



While drugs are disproportionately affected by foreign patent piracy, hundreds of other U. S. products are being openly counterfeited and sold abroad. Indeed, U. S. Trade Representative Clayton Yeutter estimates that U. S. industry may be losing between $43 and $61 billion annually to off-shore pirates.

* * *

Looks like the PPI controversy may be heating up all over again. The National Association of Chain Drug Stores is hopping mad about the Food and Drug Administration's new scheme to relax current requirements that manufacturers of estrogen products distribute "patient package inserts" to pharmacists along with these drugs.

In a formal protest to the agency, NACDS President Ron Ziegler said that the current rule requiring PPIs to "physicially accompany" the product is "logical, reasonable and makes the process orderly."

Federal regulations have required that patient inserts accompany estrogen drugs since 1977, and a shift in that distribution system could "welcome numerous problems and confusion," according to Ziegler.

Specifically, the chain drug industry is concerned that if manufacturers are given greater flexibility, they may not provide drug stores with the necessary PPIs in a timely fashion.

If "the proposed rule allows patent package inserts to be sent separately and not with the product, retail pharmacies may not receive adequate quantities of the insert to provide to patients at the time the product is dispensed," Ziegler warned. "Therefore, under these situations, the product would be mislabeled and the pharmacy would be in violation of the law."

* * *

The Federal Trade Commission's interest in "anticompetitive" pharmacy practices—which until recently has been focused on state pharmacy boards—now appears to be broadening.

Pharmacy leaders in New York are reportedly under scrutiny by commission investigators for allegedly conspiring to boycott the state's controversial new drug benefit program for state employees.

It's no secret that empire state pharmacists were underwhelmed by the reimbursement formula contained in the original plan advanced nearly two years ago. That scheme not only required participating pharmacies to accept product cost payments at less than AWP, but also called for lower reimbursement rates for chain operators. Subsequently, however, the formula was sweetened and N. Y. pharmacies began participating.

What FTC is trying to determine is whether the widespread failure of New York druggists to participate in the plan initially was a result of collusion. If so, Federal price fixing charges could be filed.

* * *

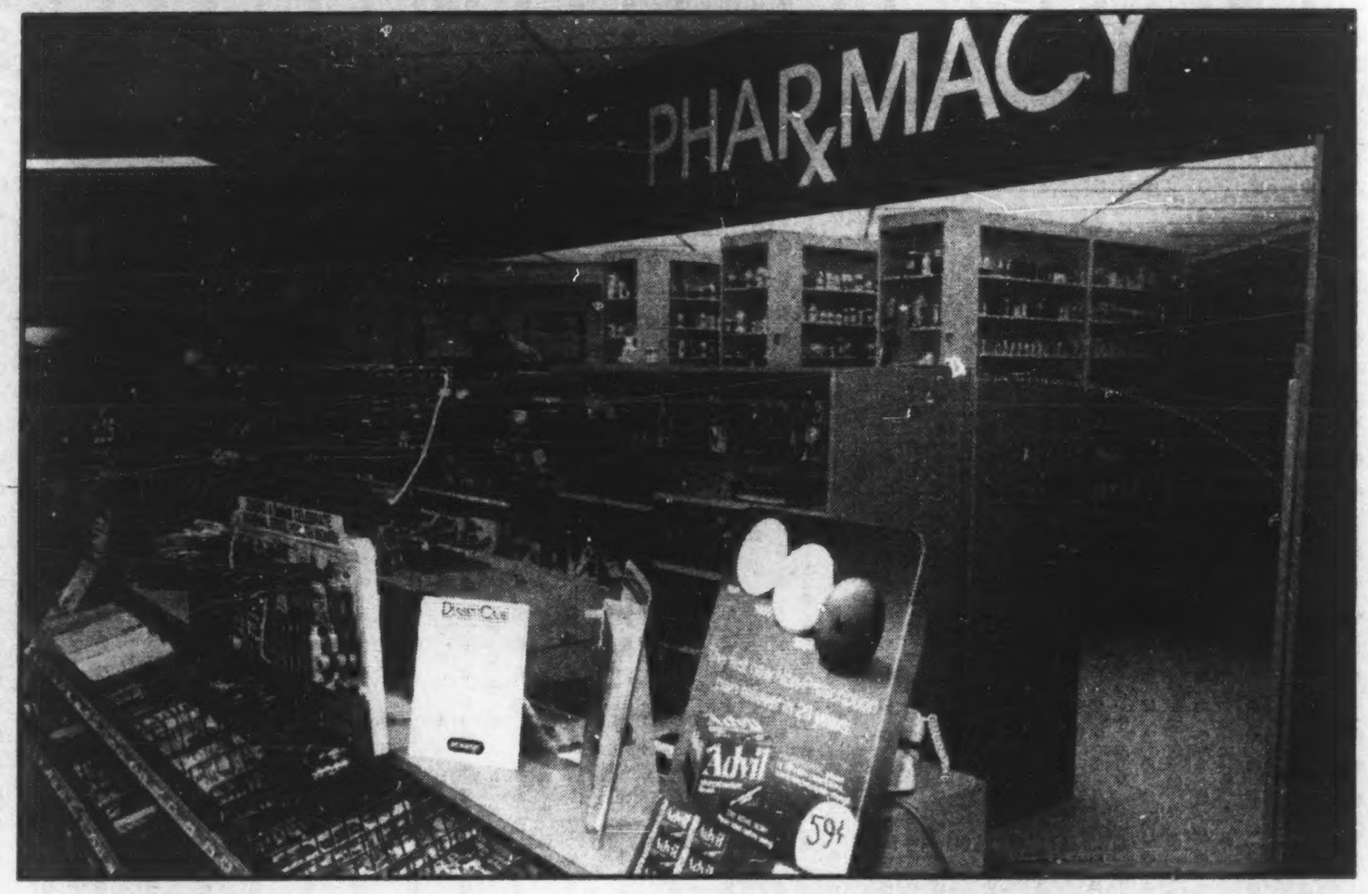
Are OTC drug manufacturers unfairly promoting asprin as an anti-heart attack drug?

Aspirin products have been difficult to keep on the shelves since the New England Journal of Medicine reported earlier this year on the results of a study linking aspirin use with the prevention of heart attacks. But at least part of the upsurge in demand for aspirin is a result of manufacturer advertising—advertising which some industry critics say plays up the potential benefits of aspirin use without disclosing the risks.

Now top government officials are warning that the industry has gone overboard in its health claims for aspirin. At a recent OTC drug conference in Washington co-sponsored by FDA and the Proprietary Association, House Health Subcommittee Chairman Henry Waxman (D-Calif.) openly accused manufacturers of failing to provide essential warnings in their latest aspirin ads.

More recently Food and Drug Commissioner Frank Young voiced similar concerns in a letter to aspirin manufacturers reminding them that Federal law considers misleading ad claims to be "mislabeling." According to Young, nearly all aspirin makers have responded by pledging to halt heart attack claim advertising until further study data is available.

Rx checkstands aim for clean look: study



Many chains display checkstand products that promote a health-care image, such as the analgesic and dental items and the educational brochures found at this Eckerd counter.

By Barbara White

It's no secret that checkstands are heavily merchandised, crammed full of the items retailers hope will create quick turns, impulse purchases and ultimately, big profits in a small space.

Merchandising the pharmacy checkstand area is quite another matter.

Many drug chains minimize the impulse items at their pharmacy checkstands in favor of a clean, health-oriented image, opting not to take full advantage of merchandising in this heavy traffic area.

"Merchandising the pharmacy area hasn't been a priority for Drug Emporium," said Steve Denovchek, director of pharmacy at the prominent deep-discounter. Denovchek said that the "supermarket mentality" that governs the checkout area at the front of the store has been avoided in the pharmacy area.

"The pharmacy is a service-oriented area where prescriptions are filled professionally. We are not trying to create extra sales by placing impulse items there to the extent that we merchandise checkout at the front of the store," he said.

Proximity to the pharmacist plays heavily in tailoring the merchandise mix at other chains. At Perry Drugs, the area behind the pharmacy checkstand—the area that customers see from the other side of the counter—is reserved for products that pharmacists wish to recommend to customers, according to Mike Winkleman, assistant vp of pharmacy services.

"When a busy pharmacist is tring to fill 200 prescriptions a day, it's work to have to walk down the aisle to recommend products," said Winkleman. "Pharmacists are the most highly trusted professionals and their recommendations are important." That's why the chain leaves the selection of the most frequently recommended products to be placed behind the counter to pharmacists at individual stores. In nearly every case, the products placed there are private label, according to Winkleman.

A recent Lebhar-Friedman Research survey of pharmacy checkstand merchandising revealed that chains are creating a specialized product mix for the area, one that invites some impulse purchases but also provides consumers with information and eases consultation with the pharmacist.

Lip protection tops list

When asked which three items are the most desirable year-round products for placement at the pharmacy checkstand, chain headquarters and store management personnel responsible for those decisions showed one favorite item. The darlings of the pharmacy checkout area were lip protection products, chosen by 53 percent of respondents.

Lip protection products are quick turnovers generating high sales per square foot. Factors, such as these, play an important part in the decision of which products occupy the prime real estate of the checkout counter.

Quick turnover was the most important factor contributing to that choice. Eighty percent of the pharmacy supervisors, general merchandise managers, store managers and others surveyed cited quick turnover as the most important factor for consideration when choosing which items get the coveted space.

Methodology of the study

The 1988 *Drug Store News/Inside Pharmacy* Pharmacy Checkstand Study is based on 30 interviews with individuals with direct responsibility for merchandising the pharmacy checkstand area at chains ranking among the top 100 in dollar volume.

Telephone interviews were conducted during December 1987 and January 1988 by professional interviewers under the direct supervision of Lebhar-Friedman Research.

Sales per square foot figured heavily as a consideration as did a product's impulse buying potential. Broad customer appeal was cited by 63 percent of the respondents as a factor in selecting items to occupy space near the checkout area.

Testing customer appeal

Customer appeal figures heavily into decisions about what is merchandised near the pharmacy checkout counter at MediSave, according to Bob Miller, MediSave's director of advertising.

Miller said that MediSave's pharmacy checkout area, although not heavily merchandised, serves as a test site for new products which are often given space there before being integrated into the store's product mix.

"We often put new products in trial sizes at the pharmacy checkout area," said Miller. "Its a low investment and a quick read of how a product will be accepted by consumers. If it goes well, then we integrate the item into regular buying patterns and place the item in the appropriate place in the store."

Other chains agreed; 17 percent of the respondents cited health and beauty trial sizes as one of the three products most wanted at pharmacy checkout areas.

Jimmy Jackson, manager of pharmacy at Kerr, said that a range of trial sizes priced from 15 to 39 cents, can usually be found at the chain's pharmacy checkout.

Items enjoying a surge of popularity can get some unexpected checkout space—at least for a while.

Diagnostic kits and vitamins were the items retailers added most frequently to their pharmacy checkstand areas this past year.

Fish oil capsules, at the height of popularity this year after a study indicated that the supplements lowered cholesterol, enjoyed their moment in the sun this year at the pharmacy checkstands at MediSave.

After subsequent studies questioned the effectiveness of fish oil, MediSave transported the tablets back to the vitamin area. Checkstand status can sometimes be short-lived and elusive.

Reliable Turns

Although 53 percent of the survey's respondents said that they had placed products at the pharmacy checkout counter over the past year that had never been tried there before, the old faithful performers get the coveted space year after year at many chains.

The products that chain decision makers want most at the pharmacy checkstand, after lip balm, are vitamins, named by 40 percent as one of the three most desirable items.

"Vitamins are a good gross profit item," explained Steve Bishop, vice president of Bill's, a California chain. With an 8-foot counter area and virtually only the back of the register to merchandise, Bishop has to closely guard the checkstand area.

"We do merchandise some small items using a combination of provider racks and bins on both sides of the register," said Bishop. Some of the chains' stores have step shelves, allowing additional items to be merchandised around the pharmacy checkout counter.

The chain has devoted shelving on the bottom area of the pharmacy checkstand to eyecare and a diabetic section, according to Bishop.

"The diabetic products are expensive, and keeping them near the pharmacist allows better surveillance," he said.

Drug Emporium's diabetic products are placed at the pharmacy checkout counter as well, but for different reasons.

"Diabetic products would do well anywhere," said Steve Denovchek, "but customers have questions and we want to make the pharmacist available to answer them. Our decisions on what to place at the pharmacy checkstand are customer driven."

Eye care has been given checkout status at MediSave. "We went from 4 feet to 8 feet in two and a half years in eye care," said Miller.

Seasonal shifts

Retailers chose cough/cold remedies as the checkout item of choice for winter. Fifty percent responded that the products would be their top product choice for checkout space in winter. The products were also a favorite for the fall.

Allergy/hay fever products were the most popular choices for spring (30 percent) while the summer winner was sunblock/suntanning products.

Although 40 percent mentioned sunblock and suntanning products as their summer checkstand favorites, Dave Lutz, merchandise manager at Hook-SupeRx said that hydrocortisone creams and products for motion

Continued on page IP26

It's shared duty for checkstand planograms

Pharmacy checkstand merchandising decisions are a shared responsibility between a variety of headquarters and store personnel.

Over half of the top 100 retail pharmacy chains are planogramming their pharmacy checkout areas, although the individuals involved in the planogramming may vary from chain to chain. Indeed, input may be required from more than one individual.

The pharmacy supervisor was mentioned by 43 percent of respondents as being involved in pharmacy checkout decision making. General merchandise managers and vice presidents of operations were mentioned equally at 30 percent.

At the store level, however, the survey revealed that the majority of decisions are being made chiefly by

Continued on page IP26

Who makes checkstand merchandising decisions?

(% of respondents citing titles)

Headquarters Positions	
Pharmacy Supervisor	43
General Merchandise Manager	33
Vice President Operations	30
Vice President Operations	27
Vice President Merchandising	20
Buyer	17
President/Owner	17
Merchandise Manager (grocery, H&BA, sundries, seasonal)	13
Exec. VP, VP	7
District/Regional Manager	7
VP Purchasing	3
Store Level Positions	
Store Manager	63%
Pharmacist/Head Pharmacist	30
Assistant Store Manager	17
Clerk/Head Clerk	7
Other store level positions	17

Percentages total in excess of 100% due to multiple responses.

Source: Lebhar-Friedman Research

Displays most frequently used at checkstands

Countertop displays	93%
Professional literature racks	80%
Free-standing manufacturer or floor displays	67%
Vertical displays	60%
Horizontal displays/bins for dumping	53%
Wire racks that display a variety of products/gravity feed displays/condom racks	43%

Percentages reflect the most frequently mentioned type of display used in the pharmacy checkout area. Percentages exceed 100% due to multiple responses.

Source: Lebhar-Friedman Research

Private label, brochures cited as checkstand favorites

Continued from page IP25

and seasickness did well at the checkstands of the Ohio chain in summer.

Hook was one of the chains that planogrammed the pharmacy checkstand area monthly. Private label products figure heavily in cardboard displays merchandised in the chain's pharmacy checkout area.

The top five

What the chains view as desirable and what they actually merchandise on a regular basis sometimes differ. Many chains mentioned items they view as desirable, like dosage spoons and pill boxes, but the categories being merchandised come down to a standard top five. Ironically, the item most likely to be found at the checkstand is not a profit maker at all.

Free educational literature was cited by 87 percent of the respondents as the products which are most regularly available at the pharmacy checkstand. The decision makers had their complaints and their praise for the pamphlets.

Hook-SupeRx produces its own educational materials on nearly 18 health topics. Dave Lutz explained that the chain often merchandises products and pamphlets to tie in with health weeks.

"For poison prevention week, we'll advertise our booklet and run a tie-in with a product which induces vomiting," said Lutz.

Kerr's Jackson said that the literature tends to clutter a checkout area which he tries to keep clear.

"I would love the PMA to standardize brochure size so that all literature could fit on one standard rack," he said. "We have complaints about the appearance of the pharmacy area because of the clutter the pamphlets create."

Snyder Drug, a Minnesota chain, may soon cash in on the information business.

"We've talked about informational booklets in the $3 to $5 price range," said Edward Pelant, director of pharmacy operations. "Consumers have more of an interest in their health now, I think that the booklets would do well."

Kerr already offers small books in the area adjacent to the checkout counter, according to Jackson.

Indeed, some survey respondents noted health books and videos as items which they would like to see merchandised in the pharmacy checkstand area in the future.

Vitamins filled the number two spot (87 percent), and lip balm and medical ID bracelets followed with a 77 percent response rate. Diagnostic kits, because of their high tickets and reliance on pharmacist recommendations, rounded out the top five.

Endcap tie ins

Over half of the chain retailers surveyed are using their endcaps to merchandise impulse items. The most frequently merchandised product in pharmacy endcap displays were cough/cold remedies, mentioned by 60 percent of the respondents.

If vitamins don't make it to the space beneath the pharmacy counter, they can most likely be found in a pharmacy endcap, as evidenced by the 33 percent of respondents who said that their store's vitamins have endcap status.

Snyder Drug represents the typical endcap strategies used by most chains. Pelant said that the endcaps, which are changed seasonally, featured vaporizers and cough/cold products this winter.

Vaporizers were a favorite among retailers to be placed near the pharmacy checkstand. Retailers mentioned the proximity to an outlet for demonstration of the product as one reason the devices were placed at or near the pharmacy checkstand.

The four to five endcaps facing the 32-foot pharmacy at Bill's contain health and beauty aids and are changed weekly.

Diet aids and diagnostic kits (such as pregnancy and ovulation kits and diabetic monitoring products) had endcap display space at 17 percent of the chains surveyed.

Five endcap favorites

(% of respondents citing products regularly available at pharmacy endcaps)

Cough/Cold Remedies	60%
Vitamins	33
Condoms	23
Vaporizers	20
Diet Aids/At-Home Diagnostic Kits	17%

Percentage sums exceed 100% due to multiple responses from headquarters personnel.

Source: Lebhar-Friedman research

Five checkstand favorites

(% of respondents citing products regularly available at pharmacy checkstands)

Free educational literature	87%
Vitamins	87
Lip protectors	77
Medical ID bracelets	77
At-home diagnostic kits	73

Percentage sums exceed 100% due to multiple responses from headquarters personnel.

Source: Lebhar-Friedman research

Top five seasonal checkstand favorites

(Five categories most frequently cited by headquarters respondents when asked to name their single favorite seasonal checkstand product)

Winter	
Cough/cold remedies	50%
Lip protectors	23
Thermometer	7
Muscular rub/ointment	3
Vitamins	3
Spring	
Allergy/hay fever products	30
Vitamins	17
Lip protectors	10
Poison ivy/anti-itch products	10
Suntan products	7
Summer	
Sunblock/suntan products	40
Lip protectors	17
Diet aids	3
Sunglasses	3
Ice pack	3
Fall	
Cough/cold products	33
Vitamins	20
Allergy/hay fever products	7
Analgesics	7
Lip protectors	7

Source: Lebhar-Friedman research

How items earn checkstand space

(Percentage of headquarters respondents who cited these factors to be "very important" in granting checkstand space)

Quick turnover	80%
Sales per square foot	77
Impulse purchase potential	67
Broad customer appeal	63
Inventory turns	60
High gross margin	50
Reduced risk of theft	33
Display allowances	30
Items of excellent value	27
Items on sale	17
Availability of manufacturer-provided display	10

Source: Lebhar-Friedman research

Checkstand decision-makers

Continued from IP25

the store manager. Pharmacists were ranked as the number two decision makers.

But it is the vp/director of operations who seems to be the individual responsible for space allocation decisions, according to 23 percent of the study.

One force that clearly has impact on what products are being merchandised at the pharmacy checkstand is manufacturers.

Manufacturers, always clamoring to have their products displayed in the prime space at the checkout counter, offer an array of incentives to retailers.

Seventy-seven percent of the retailers surveyed said manufacturers use free display fixtures as incentives for placing their products near the pharmacy checkstand.

Offering extra discounts, such as cash rebates, or extra P-O-P displays or co-op advertising were additional ways that nearly one third of the retailers mentioned manufacturers had used to persuade them to place their products near the pharmacy register.

Affording extra cash allowances were mentioned by nearly as high a percentage of retailers.

While some retailers choose to take manufacturers up on the offer, others steer clear of the attractive draws.

Steve Denovchek, director of pharmacy at Drug Emporium, doesn't rely on manufacturer incentives when choosing merchandise to be represented at the Ohio-headquartered chain's pharmacy counter.

"Manufacturer incentives come into play to a greater degree at the front of the store," he said. "The pharmacy area doesn't merchandise that heavily."

Dave Lutz, merchandise manager at Hook-SupeRx, gives as much consideration to manufacturer allowances in the pharmacy section as he does in the front of the store.

Although Bob Miller, director of advertising at Medis-ave, said the chain does use display racks that manufacturers provide, he is wary of many of the incentives offered by manufacturers to place their products in the spotlight.

"Anything new is great, but after the newness wears off, sales tend to drop," he said. "In any job racked situation, the rack is loaded with non-sellers along with the top sellers."

Many retailers would rather trust their own judgment in merchandising the pharmacy checkstand, rather than fall for the charms of the incentives.

"The bigger the incentive, the less viable the product is usually," said Miller. "If it has $10,000 attached to it, it's probably not a great seller."

This Walnut Creek, Calif., Longs has a shelf display of vitamins adjacent to its pharmacy checkstand.

DRUG STORE NEWS®
April 11, 1988

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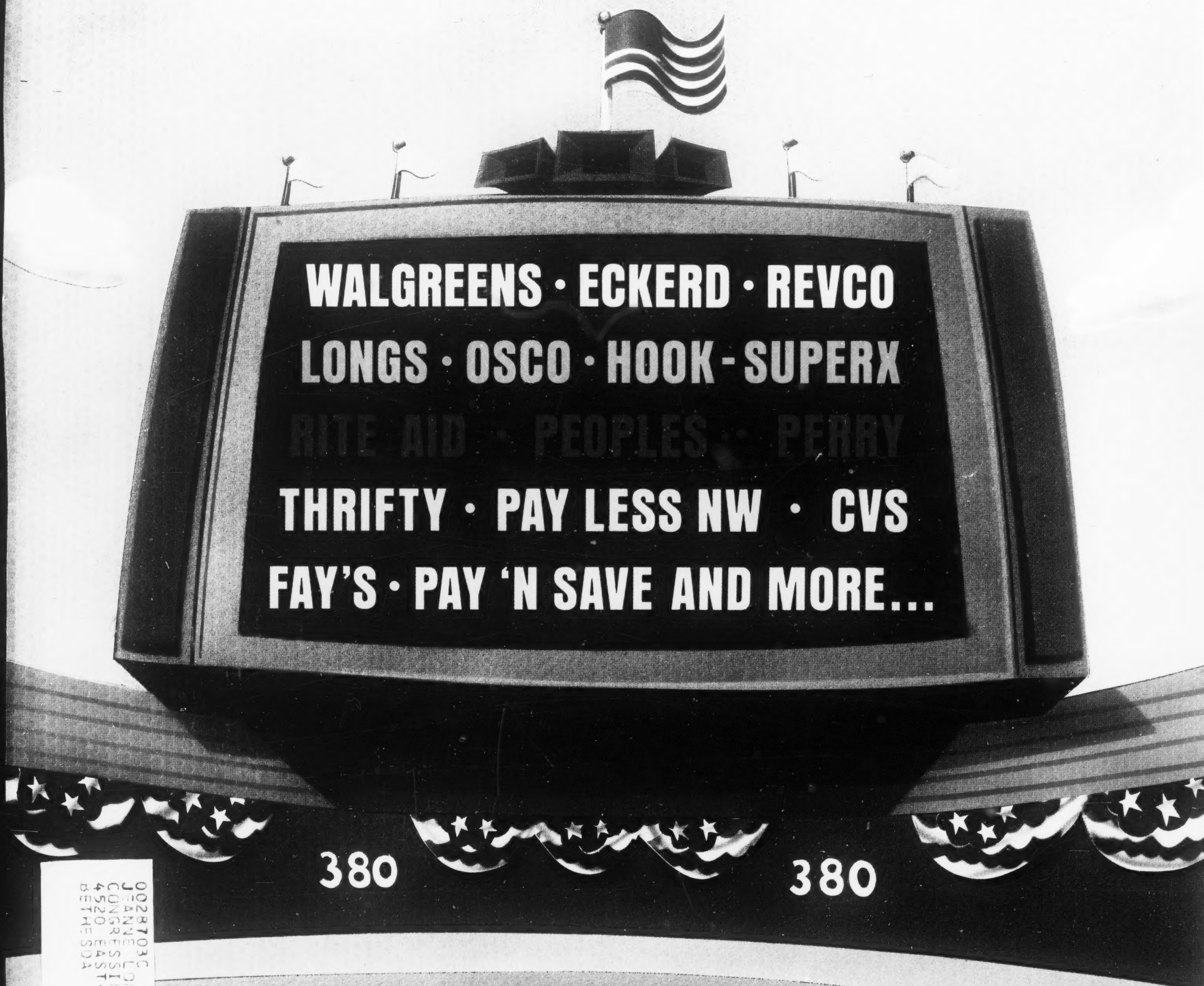
THE 1988 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PART ONE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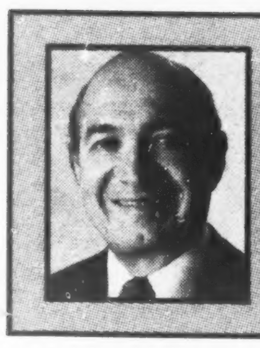
Drug chains enjoy home field advantage

See pages 41-119

Industry sales reach $53.5 billion



Alex Grass
Another victory

Rite Aid wins Begley: SupeRx drops out

— see page 5

DRUG STORE NEWS®

Vol. 10/No. 8 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. April 11, 1988

Revco's Edwards leaves presidency, Sells picks up duties

Vito Cardace, cfo, is also gone

By James Frederick

TWINSBURG, Ohio — In a move that had been anticipated for several months, Bill Edwards has resigned as president and chief operations officer of Revco D.S. "to pursue other business opportunities."

Bill Edwards
Revco prexy resigns

The resignation, announced in a March 28 letter from Revco chairman and chief executive Boake Sells to Revco employees, marks the end of a management shuffle which has been ongoing since Edwards himself succeeded Sid Dworkin as chief executive one year ago.

In another major management change, Vito Cardace has resigned as chief financial officer, also "to pursue other business interests." Cardace, 48, had replaced R. Carroll Hudson as cfo in March 1987, after a career with The Great At-

See **Edwards,** *page 129*

American's Lucky goal is greater food-drug muscle

By Susan Ball

SALT LAKE CITY — A day after launching its $45-a-share takeover bid for Lucky Stores, American Stores offered to sweeten the tender offer to $50 a share, or about $1.93 billion.

The higher price depends on Lucky's agreeing to an "expeditious" and friendly transaction, American Stores said.

American Stores, owner of Osco Drug Co., Alpha Beta supermarkets and other businesses, filed its $45-a-share cash tender offer for Lucky with the Securities and Exchange Commission on March 28. The initial offer was valued at $1.74 billion.

Lucky responded by strongly advising its stockholders to take no action on American's offer until Lucky's board of directors had a chance to consider it and make a recommendation.

Lucky, regarded as a low-price leader in its California markets, operates 482 stores in California, Arizona, and Florida, 92 with pharmacies. At press time, its first 60,000-square-foot Advantage store debuted—a new format with pharmacy, groceries and an expanded cosmetics department—in Clairmont, a San Diego suburb.

The combination of American Stores, the third-largest supermarket chain, and Lucky would potentially create the nation's largest supermarket chain. It might also provide opportunities for American's Osco Drug division to expand in Lucky's California markets, if the acquisition resulted in a tie-in between Osco and Lucky's drug operations.

American Stores said in the SEC filing

Continued on page 130

The American Stores empire. . .

American Stores Inc., all divisions	***1,460(A)***
Operations all having pharmacy:	
Osco Drug	**515**
Jewel Osco	**130**
Skaggs Alpha Beta combos	**104**
Other operations (number of stores with pharmacies in parentheses):	
Alpha Beta	**240 (1)**
Jewel	**87**
Acme	**294**
Star	**45 (1)**
Buttrey	**45 (22)**

(A) The company released a 1,590 total store figure in its year-end report by counting Jewel Osco twice.
Source: American Stores

and its current goal:

Lucky Stores	**482 (92 with pharmacy)**

Source: Lucky Stores

Hook-SupeRx inks definitive pact to buy Brooks Drug for $80M

CINCINNATI — The plan by Hook-SupeRx to grow dramatically by buying Brooks Drugs moved ahead with the signing March 24 of a definitive purchase pact, HSI said.

HSI reached final agreement with Brooks owner, Andrews Group Inc. (formerly Compact Video, Inc.), after three months of talks. Andrews Group is 40-percent owned by MacAndrews and Forbes, a holding company.

The $80 million cash purchase is subject to the completion of financing, and other unnamed conditions, HSI said.

Doster

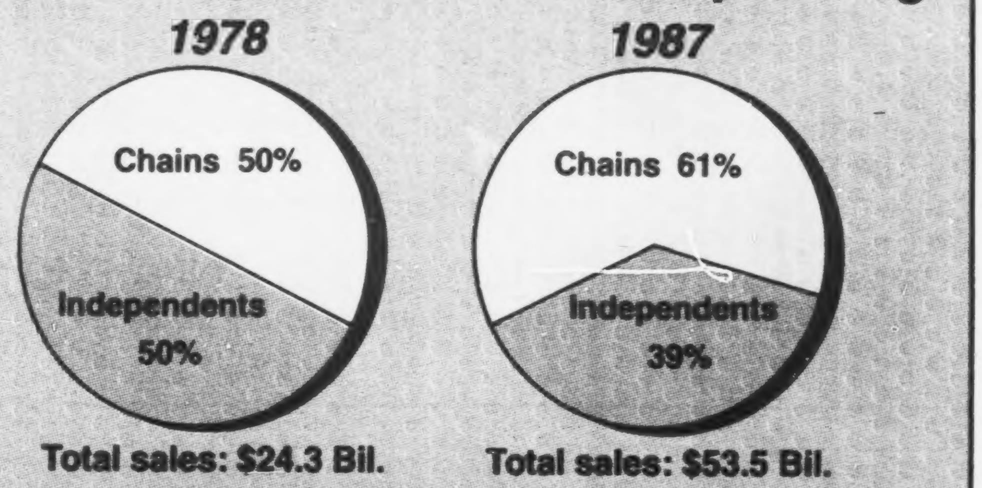
"It is a very positive move for Brooks. It will be run now by drug store people, and not a company that didn't have an interest in the business," said one Brooks source.

With the planned merger, HSI will become the seventh largest drug chain in sales with $1.4 billion. It is now eleventh largest with $1 billion. With 1,050 stores, it will move from the sixth to the fifth spot in store count.

Parties maintained a tight lid on details of the buyout, and HSI has yet to reveal how it

See **HSI,** *page 129*

Chain drug share of sales keeps rising



Source: A.C. Nielsen Co.

Drug chains are more dominant than ever today. For more details, see 1988 Annual Report of the Chain Drug Industry, starting on P. 41.

LATE NEWS

- MINNEAPOLIS — Thrifty Drug Stores and its subsidiary, White Drug Enterprises, are consolidating purchasing, advertising, and operations at corporate offices here under the name Thrifty • White Drug Stores. The 58-store chain, which operates in five Midwestern states, reported net sales for fiscal year '87 (ended April 25, 1987) of $90.2 million. Net sales for the first 10 months of fiscal year '88 were $79.2 million, a 5.6-percent increase over the same period last year.
- LANDOVER, Md. — Dart Drug Stores said March 30 is the starting date when preferred and common stock holders can buy, for $34.56 each, units of stock and performance options which are being sold to raise working capital.
- SAN DIEGO — Lucky Stores opened its new Advantage combo here April 5. The 60,000-square-foot layout includes a pharmacy, H&BAs, a cosmetician, and numerous gourmet food specialties.

NACDS' '88 Annual Meeting eyes how people make the difference

ALEXANDRIA, Va. — Will the employee management techniques drug chains use today work in the future?

Drug industry representatives will grapple with that question and others relating to the work force at the NACDS annual meeting April 17–20 at the Breakers Hotel, Palm Beach, Fla.

This year's meeting—with the theme "Our People Make the Difference"—focuses on "the lifeblood of our business," said Bill Welsh, NACDS's executive vp.

"The same societal changes that will affect consumer buying habits in the future will also have a major impact on employees' attitudes and management," said Welsh, adding that the conference will feature a range of experts who will describe the worker of the future, and offer insights into new emerging management techniques.

Lester Thurow, the MIT economist, will discuss people

Continued on page 14

For a schedule of events at this year's NACDS Annual Meeting, see **p. 14.**

NEWS IN BRIEF

Rudden named vp-merchandising at Dart

LANDOVER, Md. — Jon Rudden, most recently vp-marketing at the Rea and Derick division of Peoples, has been named vp-merchandising at Dart Drug Stores.

Rudden joins a line of former Peoples executives who have followed Sheldon "Bud" Fantle to Dart, after Fantle bought an interest in the chain and became chairman last year.

Rudden will report to Louis Schechter, senior vp-marketing, and also formerly of Peoples. Fred Edwards was named Dart's senior executive vp earlier this year after leaving Peoples.

Rudden was part of a Northumberland, Pa.-based management team that oversaw 90 Rea and Derick units.

Klawitter retires early from NACDS post

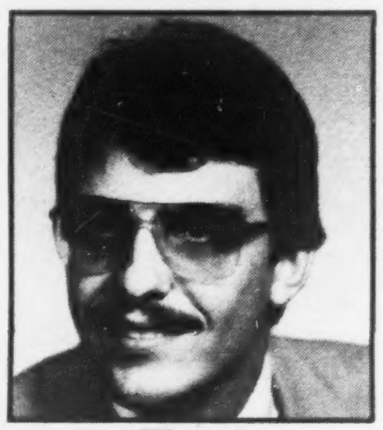
ALEXANDRIA, Va. — Harold J. Klawitter has taken early retirement from his post as vp-pharmacy affairs of the National Association of Chain Drug Stores, and Bruce Briggs has been named to head the pharmacy affairs department.

Klawitter, in his early 60s, led NACDS' team of professional relations specialists for about 4½ years. His departure is the latest of several changes in top and middle management at NACDS since the retirement of Bob Bolger and the appointment of Ron Ziegler as president of the association.

Briggs, who has been with NACDS for five years, was pharmacy affairs director before his promotion.

In announcing Klawitter's departure, Ziegler expressed appreciation of the pharmacist's contribution to NACDS.

Fay's names Wuest vp-merchandising


Wuest

LIVERPOOL, N. Y. — James Wuest, Fay's former merchandise manager, has been elected vp-merchandise at Fay's. He will report to Larry Rose, president.

Wuest, a 1973 graduate of Syracuse University, joined Fay's in 1976 as a management trainee. He has held the posts of assistant store manager, store manager, assistant buyer, and buyer.

"Mr. Wuest's promotion will strengthen our marketing efforts as we plan for future growth. His broad range of experience within the Fay's organization provides him with the expertise necessary to fill the vital position to which he has been elected," Rose said.

Glasser named vp of McKesson division

BROOKLYN, N. Y. — Harvey Glasser has been named vp-marketing for S-P Drug, the New York division of McKesson Drug Co.

He will report to Howard Smith, regional vp. Glasser for the past four years had been the Southern regional sales manager for the Valu-Rite pharmacies served by McKesson in Memphis.

Peter Green, a former Valu-Rite field sales manager, succeeds Glasser as Southern regional sales manager for Valu-Rite.

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Vol. 10, No. 8 April 11, 1988

Arbor puts new DC on line, lays groundwork for growth

NOVI, Mich. — Arbor Drug Stores has nearly completed a transfer of warehousing operations to a newly constructed, automated facility, vastly upgrading its distribution capacity and laying the groundwork for a doubling in store count.

At 234,000 square feet, the new center offers Arbor five times the storage capacity of its older warehouse. The new facility includes automated sortation devices, tri-level picking and rack systems, and a total of 22 receiving and outgoing trucking bays.

"With this we can handle the future," said Arbor president and chief operations officer Markus (Max) Ernst during a tour of the new facility. "We can easily handle 150 stores with this warehouse, and we have the capacity to double the existing space later."

Arbor began shipping merchandise out of the new center early this year, and is near full utilization. The center will allow the chain to boost its ratio of centrally controlled inventory from about 65 percent to 75 or 80 percent, "resulting in significant cost savings and improved service in restocking our stores," according to a company report.

The center allows five times more storage space.

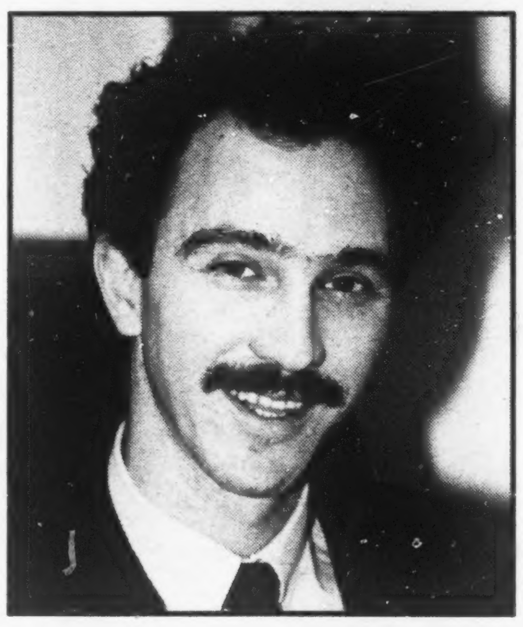
Spielfogel new Austin president

EAST MEADOW, N. Y. — Gary P. Spielfogel has been appointed president of nine-store Austin Drugs, replacing Gary Lefferts.

Lefferts, who ran the Long Island chain for 15 years, is leaving to pursue other interests.

Spielfogel joined Austin last September as executive vice president. He previously worked in international purchasing and marketing for Interstate Cigar.

Since joining Austin, Spielfogel has reorganized key staff, beefed up merchandiser support, increased pharmacy staff, and initiated a plan to refixture and remodel Austin's full-service cosmetics and fragrance departments.


Gary P. Spielfogel

Spielfogel said his plans include store openings, expanded service features and new departments and programs.

"Retailing is a people business," Spielfogel said. "I am privileged to head an operation that prides itself in its goal to seek the best possible relationship with its personnel, customers and suppliers."

Austin opened its first store in Huntington, Long Island, in 1972. Its first-quarter '88 sales increased approximately 11 percent, to an estimated $9.5 million, compared with $8.6 million in the comparable period last year.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

WASHINGTON, D.C., 1928 — The so-called "drug store ownership law" passed in Pennsylvania in 1927 has been declared unconstitutional by the United States Supreme Court. This law, which was formed to check the growth of drug chains, although its object is not directly revealed in the law itself, provided in effect that no one but a licensed pharmacist legally own a drug store. In the case of a partnership or corporation, it required each partner and each stockholder to be a licensed pharmacist.

50 years ago

OAKLAND, Calif., 1938 — Modern drugs were compared with those used by the ancients in an effective educational window at the Owl Drug Store, 19th and Broadway, Oakland, Calif. Wherever possible, the old was contrasted with the new. For instance, insulin was shown side-by-side with viper's tongues—the old method of treating diabetes.

40 years ago

PORTLAND, Ore., 1948 — Prescription checks used by Fred Meyer, Inc., Portland, Ore., employ copy designed to sell the patient on the company's prescription service while he is waiting. The words "YOUR PRESCRIPTION" appear in reverse plate capital letters at the head of the numbered check form given to the customer. Copy continues "is being prepared carefully and accurately with as much haste as caution will permit BY EXPERIENCED REGISTERED PHARMACISTS." The prescription check uses a scroll-like border.

30 years ago

GARDEN GROVE, Calif., 1958 — The new Garden Grove, Calif., Sav-on unit, 20th in the self-service chain, is the first to dispense with display windows. Outside of glass entrance doors, the 11-foot wall to the left of the entrance contains the only glass area: four foot panels designed to protect interior lighting to shoppers. Chain heads felt outside displays were unneccessary in this particular shopping center location.

20 years ago

CHICAGO, Ill., 1968 — Smiles all around are indeed in order as Walgreen president A.A. Borg and board chairman C.R. Walgreen Jr. receive a mortar and pestle trophy from Dennis Fill, president of E.R. Squibb, commemorating the filling of the chain's 200 millionth prescription. It took the Chicago-based chain 67 years to reach this milestone since its founding in 1901: but the real measure of the chain's recent growth in the prescription area is the fact that the 100 million mark was passed only six years ago.

10 years ago

SEATTLE, Wash., 1978 — The Pay 'n Save Corporation and the Rainier National Bank will be the first participants in a new credit card program aimed at major retailers.

The names of all chains owned by Pay 'n Save will appear on the VISA side of the new credit card. The other side of the card will resemble the Pay 'n Save credit card the corporation's customers now carry.

Service smooths franchised skin care sales

Serviced depts. get superior results; manufacturer promotional support sought

The drug store merchandisers having the best success with franchised skin treatment lines are the ones with service clerks catering to customers in the department, *Drug Store News* has been told.

Overall, chain merchandisers report that franchised skin treatment lines like Almay, Moondrops, Revlon European Collagen, and Overnight Success are doing "fair to well" in their stores this year.

Self-service chains like SupeRx and Revco report the slowest growth in the category. Most buyers and merchandisers for self-service drug stores say it has always been harder for them to sell the franchised skin treatment lines because many customers need to be serviced before they feel comfortable making a purchase.

Chains like Begley and Perry Drug, which have cosmetics service clerks in their stores overseeing skin treatments, report stronger success with the franchised lines.

Skin care market share trends by retail segments

Retail segment	1987	1986
Drug stores	48.4%	49.4%
Food stores	31.2	31.3
Mass merchandisers	20.4	19.3

Source: Nielsen Marketing Research

SupeRx

Like most drug chains, SupeRx stocks its franchised skin treatments in family sets within the cosmetics department, and not with the more basic skin care lines in toiletries. For example, Almay treatments are merchandised with Almay cosmetics, Revlon treatments with Revlon cosmetics, and so on.

But SupeRx also has a small three-foot section in cosmetics for "other" treatment products, such as the Lournay line, some Coty face powders, and the like.

"I can't think of any good reason to change that," says Dave Wesloh, merchandise manager for cosmetics and H&BA products. "Shoppers expect to find Olay and Vaseline Intensive Care lotion and Noxzema in with the mass brands, and they expect to find Almay, Moon Drops, Overnight Success and Max Factor in with the cosmetics brands."

In terms of growth, Wesloh says the franchised treatment brands haven't been doing anything "fantastic," but adds, "I don't expect them to be all that exceptional in our stores. I don't think you can sell treatment very strongly in self-service drug stores; it has to be presold by the manufacturer.

"Almay is our best seller, and I don't think anyone does as good a job selling treatment products as Almay. They sell their line as a regimen, and shoppers buy that way.

"I'd say Revlon is our second best-selling treatment line, with the Collagen products and Moon Drops, but they don't advertise in a way that educates the consumer as Almay does."

SupeRx will bring Colgate's new Lournay line of franchised treatments into its stores this quarter, and Wesloh thinks it will do well in their markets.

Begley Drug

In the Begley Drug franchised skin treatment category, cosmetics buyer Billie Carpenter reports that sales have been very strong, partly because Begley recently changed from a generic to a family set, and partly because of the cosmeticians who service Begley's customers.

"All the lines have been showing good growth: Revlon's treatments, especially Moon Drops and the Anti-Aging lotion; Coty with Overnight Success; Almay with its treatment lines; and Max Factor," Carpenter said.

Until June of last year, Begley displayed its treatment lines in a generic set. Approximately eight feet were involved, and all the skin treatment products were together in one set, as were the nail products and the lipsticks.

In July Begley instituted its new family format, where the Revlon treatments are merchandised in the Revlon family of products, and Almay treatments are with Almay cosmetics.

"I think the move to a family format may have slightly increased the amount of in-store space we give franchised treatments. But the most important thing it did was that it made the whole category more visible and more accessible to customers, and it helped us get incremental sales," Carpenter said.

Last year Begley put its promotional push behind color cosmetics, and Carpenter says the promotions worked so well that she thinks it would be hard to generate similar incremental sales this year.

As a result, Begley is going to concentrate on promotionally building sales of all its skin treatment lines, and Almay's overall sales in particular.

Carpenter thinks 1988 will be a good year for eye creams in general, and she also expects to do very well with the Almay launch of its stress cream and gel.

The anti-aging category is also doing well in Begley stores, partly because of the success of Revlon's anti-aging moisturizing cream. "We did a lot of sampling in our stores with the anti-aging moisturizer, and that helped because our cosmeticians now know more about the brand and can recommend it. It's selling well and we're getting a lot of repeat sales. We're also doing more makeovers in our stores, and that's helping treatment sales."

Perry Drugs

Steve Lund, Perry's vp of merchandising for cosmetics and toiletries, thinks there could be much stronger growth in franchised treatment sales if the manufacturers would do more to make people aware of the need for their products.

"Clinique and Almay have done a good job educating people to using a regimen of products, but Revlon hasn't really concentrated on advertising Moon Drops as a regimen; they talk more about individual products.

"Almay has been much better at educating the consumers in their ads, and they're number one in growth with us and doing very well."

Lund says he thinks the Moon Drops line and Revlon's Collagen brands will do better in 1988 because Revlon plans to put more advertising behind them.

In 1988, Perry will also conduct its first regular schedule of in-store demonstrations of treatment products with Almay. "We've done it on a select basis before," says Lund, "and it's worked out so well we think it's worth a regular program."

Lund says Perry will also do in-store makeup demonstrations with Almay in its higher-volume cosmetics stores, and Perry may also participate in a similar program with Revlon and L'Oréal.

As women mature, they upgrade and diversify their skin care product purchases to maintain a healthy glow on all body areas.

Austin Drug

Austin Drug in East Meadow, N. Y., has an ideal environment for selling franchised lines. Its stores are carpeted, its cosmetics counters have the ambiance of a boutique, its mix includes department store lines like Lancome and Elizabeth Arden, and its cosmeticians are trained to provide service.

Skin care retail sales in mass-market stores

Retail segment	Dollar sales (millions)	% change (8/87 vs 8/86)
Drug stores	$ 782.0	4.8%
Food stores	504.4	6.9
Mass merchandisers	330.5	13.6
Total	1,616.9	7.2

Source: Nielsen Marketing Research

Almay does very well in the Austin stores, buyer Marlene Isaacson says, and so does Revlon, but Austin's customers also buy a lot of Lancome, Ultima, Christian Dior, Ultima 2, and Borghese.

"Skin treatments and liquid makeups are things you have to show a customer," says Isaacson. "In our stores, franchised skin treatment is a very big category for us and we see a lot of growth there. On the other hand, we don't do that much with the mass treatment lines like Olay or Jergens.

Isaacson believes that the skin treatment category will continue to perform well in drug stores in coming months.

Austin advertises its franchised skin treatments about once a month, structuring its ads around "what's available."

In January, one of the peak months for skin treatment sales, Austin may not advertise any treatment lines, but its stores always build what Isaacson describes as "big displays" for the most popular treatment brands.

Isaacson also expects strong growth from the eye cream segment of skin treatments. "Women today are using more eye creams than they were a year ago," she says, "but there are still not that many women using eye creams, so as the manufacturers advertise them more, they are going to become more popular."

A regional viewpoint

One of the industry's major regional chains reports that treatment sales are up "a little over last year," which its franchised treatment buyer interprets "as a good sign because the economy is so bad."

Franchised treatments in this chain are merchandised in the cosmetics department in family sets.

This chain has not changed its merchandising of treatment products in a long time, basically because the buyer sees no need to aggressively emphasize treatments in this market.

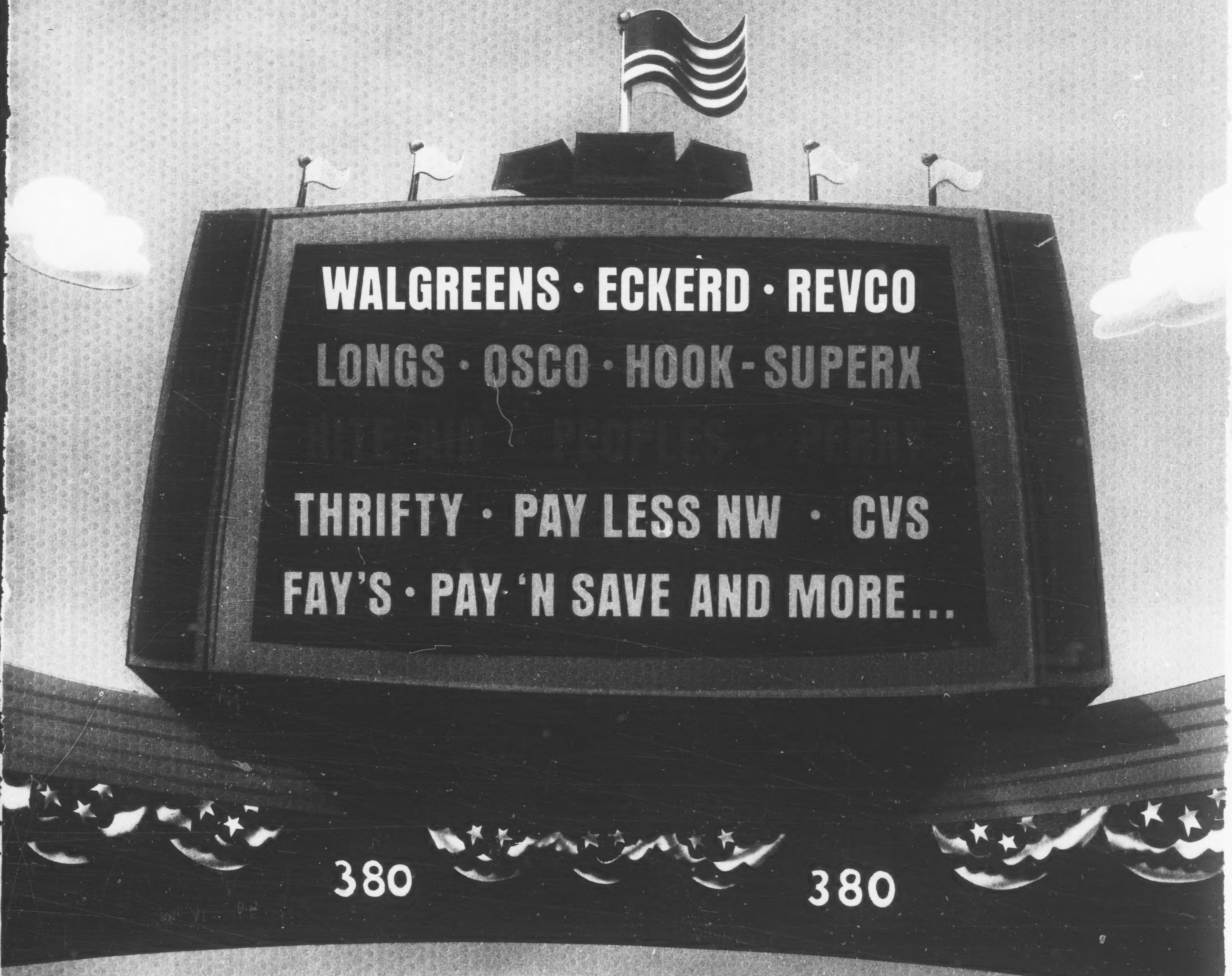
"Only a small segment of the market uses treatments," the buyer says, "and that segment doesn't seem to be growing. Manufacturers need to do more to educate customers.

"Treatment manufacturers really have to presell their customers. Just running a coupon in one of our books or in an ad doesn't do much. The manufacturers have to convince the customers before they get to our stores that they want a treatment product and they want it to achieve some specific effect. When that happens on a broader scale, you'll see more growth in this category."

DRUG STORE NEWS®
April 11, 1988

THE 1988 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PART ONE


WALGREENS · ECKERD · REVCO
LONGS · OSCO · HOOK-SUPERX
THRIFTY · PAY LESS NW · CVS
FAY'S · PAY 'N SAVE AND MORE...
380
380

Drug chains grow despite difficult odds

Despite a tumultuous year, the chain drug industry managed to generate $32.6 billion in sales for 1987, a gain of 8 percent in a year marked by little inflationary pressure.

Overall, the retail drug industry posted a 6-percent sales gain to $53.5 billion, according to A. C. Nielsen Co.

The advances came despite a continuing assault on the drug store market by large combination store operators and mass merchandisers, who have captured an increasingly larger share of the health and beauty aids market in recent years.

The chains have fougnt back, however, by re-emphasizing their broader selection of core drug store products, convenient locations, in-and-out shopping

Continued on page 44

THE 1988 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PERFORMANCE

Drug chain executives look to the future

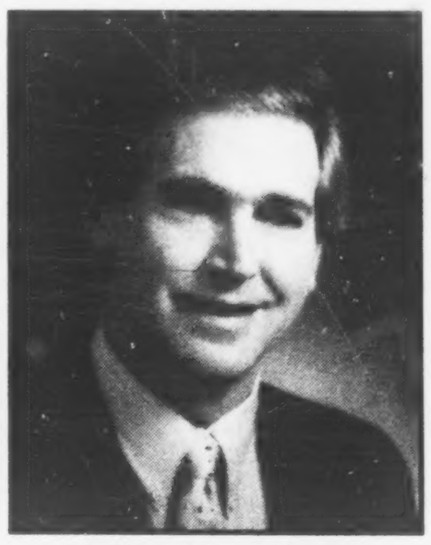
Boake Sells
chairman, ceo
Revco D.S., Inc.

"The changing nature of the health care delivery system in the United States today is a critical issue for those of us in the retail drug industry and for our customers. The erosion of the traditional fee-for-service system puts physicians, patients, and our customers in a difficult position. People are being told who they can use for health care, how much they can spend, how soon they must leave the hospital, or whether they need medical care at all.

"Such issues cast new light on the role of the pharmacist in our stores. Drug stores have an opportunity to be much more than we have been in the past. Is the delivery of professional health care changing? Yes. Do people need help in dealing with that change? Yes. Of course. Does that mean a golden opportunity for drug stores? Absolutely. We can be more than just a place to pick up a prescription. Our customers need help in understanding their drug therapy—help from new sources, sources they can trust.

"In too many cases, pharmacists have been unrecognized and under-utilized as the professional health-information providers that they are. The industry has an opportunity to assume a leadership role in this area. In our view, we must take this lead or we are in danger of becoming a price-driven segment in a very big health care system.

"Looking to the upcoming year, we at Revco will make a significant investment in our professional pharmacists' unique position in this changing environment."



Tim McAlear
exec. vice president
Pay Less NW

"While the economic outlook for this year seems to vary from one economist to another and changes from one network news program to another on a weekly basis, our outlook for 1988 at Pay Less is one of optimism.

"Again in 1988 we will open a minimum of 30 new Pay Less stores added to the 47 stores that we opened in 1987. We are now receiving POS scanner information from over 25 percent of our chain, which has not only enabled us to control our inventories, it has also afforded us the opportunity to do target merchandising in the different markets that we now represent.

"We are pleased with the results and will continue to add apparel departments to some of our larger stores in 1988. However, our main emphasis will be on our core drug departments. We will continue to emphasize our pharmacy business, which continues to grow at an exceptional rate.

"We have an ongoing program to encourage our pharmacists to offer the best possible personal customer service and counseling their needs. Our commitment to being a service-oriented super drug chain on the West Coast will help us improve our market share and continue to make the drug store industry a viable retailing concept.

"The maturing American population, with households bringing in dual incomes, looks for quick, convenient shopping from friendly people they trust, and this affords increased opportunities for drug stores in today's retail market."

Robert W. Hannan
president
Thrift Drug Co.

"In 1988, our industry has the obligation to provide customers with more reasons to shop our drug stores. Most of the merchandise that we sell can be purchased at numerous other retail outlets, and often as part of a food or general merchandise shopping trip. We must continue to build our strengths and our draws to strengthen the relationship with our customers.

"The number and varying type of retail stores selling traditional drug store products continues to grow dramatically. This growth in retail has outpaced the population growth in many major metropolitan markets. The retail expansion in 1988 appears to be running at the fastest rate of the 1980s. There will be more 'open doors,' and existing chain drug outlets must do better than the newcomers to hold market share.

"Our 1988 objective is customizing the store, with a merchandise mix, services, and staff to meet the specific needs of the local customers. Demographics, work patterns, and community agendas should be considered as we develop with our customers the attitude that this is "their store." The pharmacist-patient relationship will likely be the cornerstone of this association.

"Nineteen-eighty-eight will bring large doses of hot promotions, hefty discounts, and new competitors. However, we are an industry that can be flexible and responsive. We should identify what we do best and do it better and better, while avoiding a simple 'Me too' response. By recognizing and emphasizing our strengths, 1988 should be a solid year for the chain drug industry."

Sheldon "Bud" Fantle
chairman
Dart Drug Stores

"It is difficult to make projections relative to the economy since none of us has a crystal ball, but on balance, I feel that the economy will be flat at best, with possibly even a slight decline in the next 12 months. The uncertainty of a year in which the Presidential election is held, as well as an apparent uncontrolled budget, are key factors in my evaluation. My feelings are substantiated by a lack of positive economic indicators.

"As the economy relates to our industry, I feel that we can compensate for this shortfall through innovative and creative marketing, as well as a tight rein on expenses. We must recognize that there must be some change in the format of the chain drug store as we battle for market share against the deep discounters and supermarkets. We must accentuate the benefits of convenience as well as the ease of shopping in a small store vis-a-vis *a 50,000- to 100,000-square-foot competitor.*

"The drug store customer is changing, and we must be aware of the fact that the younger generation from 14 to 20 years of age is a viable customer with definite buying habits, as well as having a substantial amount of spendable income that they can utilize for their desires.

"The other end of the spectrum, which is equally as important, is the customer over 60 years of age, who has a great need for the primary products sold in a chain drug store. To these people, ease of shopping is essential, and their desires must be met if we are to maximize their buying power. We are in a critical period in which our entrepreneurial skills will be tested and challenged in order to assure continued growth and profitability in our industry."

Stewart Turley
chairman
Eckerd

"Chain drug stores are a part of the health care system, and as such we must be alert to the rapid changes occurring in this delivery system.

"For example, significant changes in our nation's health care system hold some concerns as well as opportunities for the chain drug industry. Employers, health professionals, insurance companies, government, and many others are concerned about the rising cost of health care which seems to continue unabated.

"In the past 10 years, health care costs have exploded. Why? First, we have made tremendous scientific advances in health care—over 75 percent of the knowledge and technology today did not exist 20 years ago. These advances are more costly and have increased life expectancy.

"Second, we face an increasing number of elderly persons in our nation. Eleven percent of the population that is over age 65 in the U. S. consumes 35 percent of the health care dollar today. It is estimated that 40 percent of the Medicare dollar is spent on providing health care in the last year of life. Since people are living much longer with new health and medical care advances, our health care system will be increasingly stretched and more expensive in the future.

"For years, drug stores have dealt with convenience and price due to the competitiveness in the marketplace. But with current estimates predicting that 76 percent of health care will be under contract in 1995 versus approximately 22 percent today, there could be a shift to quality of care. With more emphasis on contract care through institutions, PPOs, and other formats, more of our prescription business will be covered by contract.

"To meet this need we must encourage strong economic and service incentives for beneficiaries as the best means of providing cost control. The consumer in any plan should have a healthy incentive to insure that the competition in the marketplace can provide cost savings with high quality care and service.

"Given the high trust and confidence consumers have in pharmacy today, we need to insure that we maintain our position as the health care system changes in the future."

Henry A. Panasci, Jr.
chairman
Fay's Drug Stores

"I feel that 1988 is going to be a strong year. There is no evidence to the contrary. Certainly all the economic indicators are very positive, and in no way reflect the doom and gloom that I'm hearing and reading at times in the media.

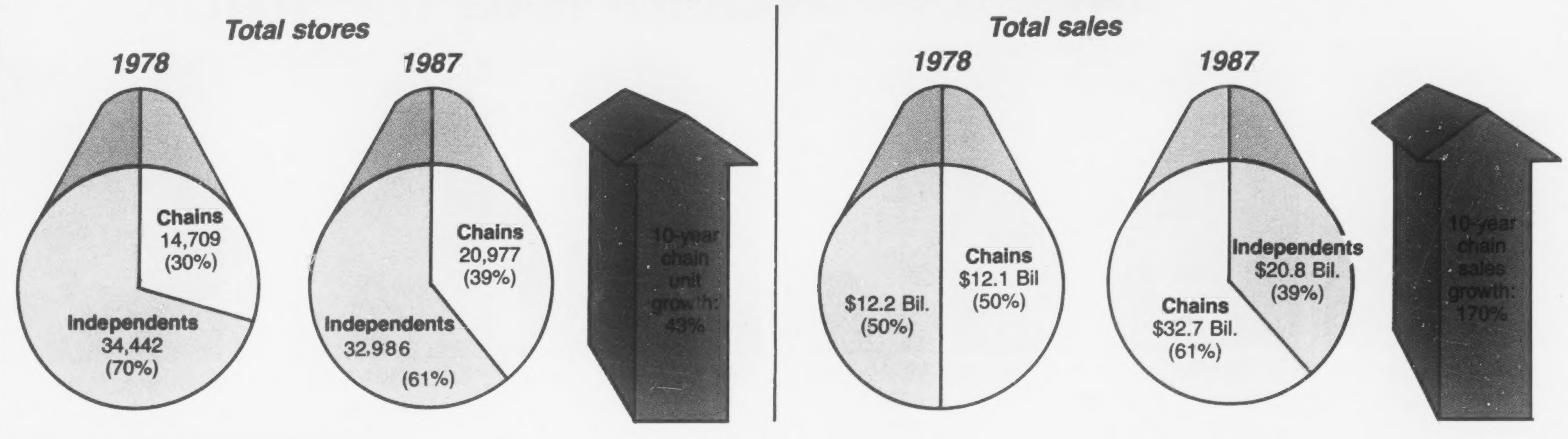
"In the past couple of years Fay's has positioned itself to be a leader in the marketplace, adjusting to competitive pressures. That includes maintaining a leader's position in product pricing and selection, and in the prescription service business.

"I think anybody in the health business is in some way going to benefit by the fact that more people are getting older. That's on the plus side.

"On the opposite side, the health industry's growth has produced a highly competitive marketplace. We expect mail order firms to be stronger, for example.

"Fay's is committed to expanding into alternative prescription environments. We have a small prescription service in a day surgery center, and plan to increase our nursing home business."

PERFORMANCE



Chains vs. independents: A decade of change

Source: A. C. Nielsen Co. and *Chain Store Guides*

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Chains take on the odds in 1987

Battle share encroachment, register 8-percent gain

Continued from page 41

ease, and friendly service.

Many chains also made strides in honing their operating efficiencies at headquarters and in stores, and in upgrading their distribution capabilities with new automated warehouse systems.

Most growth on hold

A few chains, such as Rite Aid and Hook-SupeRx, pursued aggressive growth in 1987, but the majority held back, preferring instead to seek a higher return on existing assets through store remodels and upgrades.

A parallel development was the vigorous effort by many chains to tighten their grasp on their primary markets and to abandon areas where their investment had failed to pay off in a greater share of sales.

Thus, chains like Osco and Longs engaged in a mutual sale of stores in Arizona, northern California and Colorado, and both came out of the deal in a much stronger position.

Although the overall sales trend was upward, several of the largest chains in the business stumbled badly in 1987. They included such once-successful companies as Revco, Dart, Pay 'n Save and Perry, all of whom dipped into the red inkwell in order to report the year's results. All four chains, however, were engaged in turnaround efforts that included selling major non-drug store assets and stores in weaker markets, and reorganizing management teams.

Other chains, including Peoples and Genovese, successfully handled some serious operating difficulties in 1987 and emerged in a much stronger competitive position. *(See chain profiles.)*

A few chains pursued aggressive growth, but the majority held back.

Major executive shifts

Difficulties experienced by a number of chains resulted in executive shifts at the highest levels. At Revco, for example, Boake Sells, the former president of Dayton Hudson, was brought in to breath new life into the faltering chain. Sells totally redrew the chain's reorganization chart and began the job of creating a lean operation responsive to customer needs.

At Perry, president David Schwartz consolidated the reins of power through an executive reorganization while the chain sold its retail auto parts business, which soured in 1987. At Dart Drug, Bud Fantle and his son Jeff headed an investment group that took control of the chain and began the Herculean task of restoring the chain's badly tarnished image with Washington, D.C.-area consumers.

Evolving character of the chain drug industry

	No. of companies			No. of stores		
Chain store size	1977	1987	% change	1977	1987	% change
Two-three-store companies	2,067	1,191	−42%	4,691	2,733	−42%
Four-10-store companies	508	388	−24	2,682	1,971	−27
11-or-more-store companies	171	128	−25	11,848	19,006	60
Totals	2,746	1,707	−38	19,221	23,710	23

Source: Chain Store Guides

One of the year's most dramatic stories involved one of the oldest names in the business, the Begley Co. The ouster of Bob Begley, the chain's chairman and president, and the charges and countercharges that emerged in the subsequent battle for control of the Kentucky chain provided a grim reminder that no top executive is safe when a company falters, not even the popular son of the founder.

Several exciting new retail formats emerged in 1987 to challenge chain drug operators. In Dallas, for example, Wal-Mart teamed with the Cullum Cos. to open an American version of the European hypermarket. Wal-Mart, which had already made powerful incursions into the drug store market with its discount stores and Dot deep discount outlets, and Cullum, a major combination store operator in Dallas, opened the first Hypermart USA, a 222,000-square-foot superstore selling everything from food, soft goods, and tires to pharmaceuticals, cosmetics, and health and beauty aids.

A second Hypermart opened a month later in Topeka, Kan., and two others were on the drawing boards. Other companies also unveiled or were planning their own versions of the hypermarket, including the partnership of K mart and Bruno's and French operators Euromarché and Carrefour.

The chains, for their part, put more sparkle and punch into their own stores. The year saw the entry of several dramatic new drug stores, including Longs' Horton Plaza unit in downtown San Diego, Peoples' "Boss" prototype in the Washington market, and SupeRx Corp.'s racetrack store in Phoenix.

All of the new store models strived for an ambiance of comfort and convenience for women shoppers and for an image as preeminent merchants of health care and beauty products.

Technology advances

In the area of technology, several chains began to invest more heavily in sophisticated point of sale systems at the cash register, including Walgreens, Longs, Eckerd, and the industry leader in POS, Rite Aid. *(See computerization article, p. 75.)*

But while these companies were moving ahead in their efforts to achieve greater checkout efficiency and at the same time to capture real product movement on a timely basis, most chains remained well behind the leaders. The industry as a whole lagged at least five years and as much as 10 behind the supermarket field in POS technology.

Sales climb 8% at drug chains; Walgreens hits $4B sales mark

The chain drug industry weighed in with an overall sales increase of just 8 percent to $32.7 billion in 1987, but individual companies performed well above that average.

Walgreens, for example, reported a sales increase of 18 percent to $4.2 billion for the year ended Aug. 31, 1987. The industry's top-performing chain also became the first company to break the $4 billion sales barrier.

Rite Aid, the industry's fastest growing drug chain, showed a phenomenal 42 percent sales gain to $2.49 billion for the year ended Feb. 27. The hefty increase, largely the result of acquisitions made during the year, vaulted the Shiremanstown, Pa.-based chain into fourth place on the list of drug chains, behind Walgreens, Osco, and Eckerd.

Another chain that experienced robust sales increases was CVS, one of the nation's premier bantam store operators. The Melville Corp. subsidiary saw its sales jump by 18 percent to $1.39 billion for the year ended Dec. 31.

Arbor's sales up 42%

Among the smaller chains, Arbor Drug reported a 42 percent leap in sales to $215 million for the year ended July 31. Arbor's sales performance was enhanced by a 42 percent growth in store count.

The year's largest sales increase was reported by Phar-Mor, the Youngstown, Ohio-based operator of deep discount stores. Phar-Mor's total sales jumped by 59 percent to an estimated $400 million, pushing the chain into second place among deep discount drug companies behind industry leader Drug Emporium and just ahead of F & M, Chicago's rapidly growing off-price drug chain.

Phar-Mor turned in one of the hottest growth years in the entire chain drug industry, with store count soaring as it moved into new markets including Chicago, North Carolina, and other points south.

The chain drug industry as a whole continued to increase its share of the entire retail drug total, as sales of independent drug stores increased by only 4 percent during the year, according to A.C. Nielsen Co. The difference meant that chain drug stores increased their share of industry sales by a full percentage point, to 61 percent.

Top 50 American Drug Chains: 1987 Dollar Volume

Rank	Headquarters	Drug store sales (in millions)	% change	Store totals	% change	FY end
1. Walgreens	Deerfield, IL	$4,154	18%	1,356	7%	8/31/87
2. Osco Drug	Chicago	3,047	4	645	2	1/31/88
3. Eckerd (A)	Clearwater, FL	2,750	NA	1,581	(1)	1/31/88
4. Rite Aid	Shiremanstown, PA	2,486	42	2,072	31	2/27/88
5. Revco (C)	Twinsburg,OH	2,317	6	2,051	1	5/30/87
6. Longs	Walnut Creek, CA	1,772	8	229	3	1/28/88
7. Thrifty	Los Angeles	1,346E	NA	641	8	11/30/87
8. Peoples (D)	Alexandria, VA	1,396	NA	819	(1)	12/31/87
9. CVS	Woonsocket, RI	1,394	18	698	11	12/31/87
10. Pay Less NW	Wilsonville, OR	1,280E	NA	254	19	1/23/88
11. Hook-SupeRx	Cincinnati	1,090E	NA	654	NA	11/30/87
12. Thrift	Pittsburgh	879	9	407	4	1/30/88
13. Drug Emporium	Worthington, OH	800E	NA	137	22	2/28/88
14. Pay 'n Save (F)	Seattle	726	31	143	31	10/31/87
15. Perry	Pontiac, MI	550	13	222	9	10/31/87
16. Fay's (G)	Liverpool, NY	500	11	188	9	1/31/88
17. Phar-Mor	Youngstown, OH	400E	NA	80	NA	6/30/87
18. Brooks	Pawtucket, RI	396	(2)	361	(4)	1/2/88
19. K&B	New Orleans	370E	NA	148	0	9/30/87
20. F&M	Warren, MI	330	59	52	86	1/31/88
21. Medicine Shoppe	St. Louis	325	21	698	9	9/30/87
22. Genovese	Melville, NY	314	16	83	5	1/29/88
23. Big B	Bessemer, AL	249	19	183	20	1/30/88
24. Snyder	Minnetonka, MN	226	11	57	8	7/25/87
25. Arbor	Troy, MI	215	42	74	42	7/31/87
26. Duane Reade	Long Island City, NY	200	24	30	15	10/31/87
27. Marc's	Cleveland	182E	NA	12	NA	6/30/87
28. Super D (H)	Memphis	180E	NA	116	1	8/31/87
29. Rockbottom	Port Washington, NY	152E	NA	25	14	1/31/88
30. Dart (I)	Landover, MD	120	NA	83	0	7/30/87
31. Discount Drug Mart	Medina, OH	112E	20	24	9	3/31/88
32. Kerr	Raleigh, NC	109	12	82	15	6/30/87
33. Drug Fair of NJ (J)	Somerville, NJ	103	14	31	NA	7/31/87
34. Harco	Northport, AL	104E	20	72	20	7/31/87
35. Medicare-Glaser	St. Louis	101E	NA	89	(2)	3/31/88
36. Supermarkets General Drug Store Division	Woodbridge, NJ	100E	NA	32	NA	1/30/88
37. SupeRx	Phoenix, AZ	90E	NA	59	NA	2/27/88
38. LaVerdiere's	Winslow, ME	90E	10	59	0	1/31/88
39. Thrifty/White (K)	Minneapolis	86E	4	53	0	4/30/88
40. Taylor	Louisville, KY	82E	NA	45	0	9/30/87
41. Rix Dunnington	Auburnvale, MA	75	10	41	0	12/31/87
42. Bill's	Lafayette, CA	75E	NA	25	0	4/2/88
43. Standard	Richmond, VA	73	6	64	(1)	3/31/88
44. A. D. Clark	Los Angeles	73E	NA	19	0	12/31/87
45. Medi-Save	Baton Rouge, LA	67E	NA	130	NA	5/31/87
46. Wellby	Portland, ME	65E	NA	35	(1)	12/31/87
47. Kinney	Gouverneur, NY	63	7	28	7	12/31/87
48. Begley	Richmond, KY	53E	NA	43	8	3/31/88
49. Douglas	N. Providence, RI	52E	16	15	25	3/31/88
50. Bartell	Seattle	45E	14	30	11	12/31/87

A Includes nine VisionWorks optical superstores.
C Pro forma to reflect merger of Revco and Anac.
D 12 months running ended Dec. 31, 1987 in US$.
E Estimate
F Includes Bi-Mart membership discount stores.
G Includes 15 Wheels and 12 Paper Cutter stores.
H Does not include 10 franchise stores.
I Six months ended Jan. 31, 1988.
J Includes nine Cost Cutter deep discount stores.
K Includes eight White Mart discount department stores.

Source: *Drug Store News* 1988 Chain Drug Survey

10-year sales share trends

($ sales in billions)

Year	Total sales	Chain sales	Indep. sales
1987	$53.5	61%	39%
1986	50.2	60	40
1985	47.0	60	40
1984	43.2	59	41
1983	39.7	58	42
1982	36.2	57	43
1981	33.4	55	45
1980	30.3	54	46
1979	27.2	52	48
1978	24.3	50	50

Source: A.C. Nielsen Co.

Top Canadian drug chains

Company	Headquarters	Drug store sales, latest FY (in millions $ Canadian)	% change	Store totals	% change	FY ended
1. Shoppers Drug Mart	Toronto	$1,620A	17%	586	6%	3/31/88
2. Jean Coutu	Longeuil, Quebec	522	24	102	15	5/31/87
3. Boots	Toronto	370E	NA	175	(3)	4/2/88
4. Big V	London, Ont.	211	20	92	8	9/30/87
5. Kent	Mississauga, Ont.	95	8	72	0	1/26/88

A Nine months ended Dec. 31, 1987

E Estimate

Source: *Drug Store News* 1988 Chain Drug Survey

PERFORMANCE

Drug chains diversify into younger businesses

Merchants bank on mass retail knowledge and health image in many ventures.

ECKERD MED-CARE
CONVALESCENT AIDS · SALES/RENTALS

An Eckerd home health center.

Fay's operates Wheels auto parts and Paper Cutter stationery stores.

10-year drug store growth trend

Year	Total stores	Chain stores	Chain share	Indep. stores	Indep. share
1987	53,963	20,977	39%	32,986	61%
1986	52,800	19,412	37	33,388	63
1985	52,500	18,550	35	33,950	65
1984	52,139	17,677	34	34,462	66
1983	50,264	16,733	33	33,531	67
1982	49,400	16,347	33	33,053	67
1981	49,310	14,664	30	34,646	70
1980	49,192	14,815	30	34,377	70
1979	48,822	15,110	31	33,712	69
1978	49,151	14,709	30	34,442	70

Source: Chain Store Guides and Census Bureau

10-year sales trends

($ sales in billions)

Year	Total industry	% change	Total chain	% change	Total indep.	% change
1987	$53.5	6%	$32.7	8%	$20.8	4%
1986	50.2	7	30.2	7	20.0	7
1985	47.0	9	28.2	11	18.8	6
1984	43.2	9	25.5	12	17.7	5
1983	39.7	10	22.8	11	16.9	8
1982	36.2	8	20.5	11	15.7	5
1981	33.4	10	18.5	12	14.9	8
1980	30.3	12	16.4	16	13.9	7
1979	27.2	12	14.2	17	13.0	6
1978	24.3	10	12.1	16	12.2	4

Note: Chain sales are for companies with four or more stores

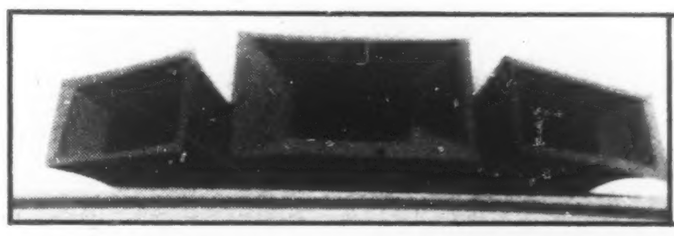
Source: A.C. Nielsen Co.

Top 50 American Drug Chains: 1987 Store Totals

Rank	Headquarters	1987 Total Stores	% change vs. year ago
1. **Rite Aid**	Shiremanstown, Pa.	2,070	31%
2. **Revco**	Twinsburg, Ohio	2,051	1
3. **Eckerd**	Clearwater, Fla.	1,581	(2)
4. **Walgreens**	Deerfield, Ill.	1,356	7
5. **Peoples**	Alexandria, Va.	819	0
6. **Medicine Shoppe**	St. Louis	698	9
7. **Hook-SupeRx**	Cincinnati	679	3
8. **Osco**	Salt Lake City	645	0
9. **CVS**	Woonsocket, RI	698	11
10. **Thrifty**	Los Angeles	641	8
11. **Thrift**	Pittsburgh	407	4
12. **Brooks**	Pawtucket, RI	362	(10)
13. **Pay Less NW**	Wilsonville, Ore.	254	19
14. **Longs**	Walnut Creek, Calif.	229	3
15. **Perry**	Pontiac, Mich.	222	9
16. **Fay's (A)**	Liverpool, NY	188	9
17. **Big B**	Birmingham, Ala.	183	20
18. **K&B**	New Orleans	148	1
19. **Pay 'n Save**	Seattle	143	31
20. **Drug Emporium**	Worthington,Ohio	137	22
21. **Medi-Save**	Baton Rouge, La.	130	NA
22. **Super D (B)**	Memphis	116	1
23. **Medicare-Glaser**	St. Louis	89	4
24. **Dart**	Landover, Md.	85	5
25. **Genovese**	Melville, NY	83	5
26. **Kerr**	Raleigh, NC	82	15
27. **Arbor**	Troy, Mich.	74	42
28. **Harco**	Northport, Ala.	72	20
29. **Standard**	Richmond, Va.	64	(2)
30. **Supermarkets General Drug Store Division**	Woodbridge, NJ	32	NA
31. **Medicap Pharmacies**	Des Moines, Iowa	63	NA
32. **LaVerdiere's**	Winslow, Me.	59	0
33. **SupeRx**	Phoenix	59	NA
34. **Snyder**	Minnetonka, Mn.	57	8
35. **Thrifty/White** (C)	Minneapolis	53	0
36. **F&M**	Warren, Mich.	52	86
37. **Taylor**	Louisville, Ky.	45	0
38. **Kare**	St. Louis	NA	NA
39. **Begley**	Richmond, Ky.	43	8
40. **Rix Dunnington**	Auburnvale, Mass.	41	NA
41. **Wellby**	Portland, Me.	35	NA
42. **Drug Fair of NJ**	Somerville, NJ	31	NA
43. **Thayer Pharmacies**	Stoughton, Mass.	30	(3)
44. **Duane Reade**	Long Island City, NY	30	15
45. **Kinney**	Gouverneur, NY	28	(7)
46. **Rockbottom**	Port Washington, NY	25	NA
47. **Bill's**	Lafayette, Calif.	25	0
48. **Discount Drug Mart**	Medina, Ohio	24	9
49. **A.D. Clark**	Los Angeles	19	0
50. **Douglas**	N. Providence, RI	15	25

Source: *Drug Store News* 1988 Chain Drug Survey

A Includes 15 Wheels and 12 Paper Cutter stores.
B Does not include 10 franchise stores.
C Includes 8 White Mart discount department stores.



PERFORMANCE

High-level execs trail blaze the industry in breathless pace

Dominating the news pages throughout the year were stories about people: ascensions to power, corporate reorganizations, and falls from grace.

The breathless pace of changes that took place in the executive suites reflected the turmoil that hit the industry in 1987, as overstored markets and heated rivalry for limited consumer dollars took their toll on overextended drug chains.

If it was difficult to tell the players without a scorecard, and often equally as hard to know what game was being played. But the changes made for a lively news year.

Sells

Begley

Perhaps no store elicited as much heat as the struggle for control of the Begley Co., the Kentucky drug chain that fell on hard times in recent years.

Bob Begley, chairman and son of the founder, found himself at the center of a bitter conflict involving the board's chain, the Begley family and its employees and two outside companies, Rite Aid and SupeRx Corp., bidding to take over the chain.

Diener

Hannan

In a battle over Begley Co.'s faltering performance, Bob Begley was at first relieved of his chairmanship and replaced by Lexington, Ky. businessman Tracy Farmer. Begley retained his position of president, but later was relieved of that title too, as he become embroiled, on the side of SupeRx, in the bidding war between SupeRx and Rite Aid for control of Begley. The Begley board favored Rite Aid.

Bob Begley signed a $125,000 contract with SupeRx that called for a management role in the Begley Co. should SupeRx be ultimately successful in its bid for Begley. If not successful, Begley would be involved in East Coast real estate and acquisition activities for the growth-minded SupeRx Corp.

Bob Begley was not the only victim of the turmoil at Begley. Orlando Segneri, veteran operations executive at the Richmond, Ky.-based chain, and Don Snyder, executive vp-treasurer, both left the company in the shakeup.

Months later Segneri turned up as regional vp of Revco's Eastern region, heading 430 stores.

Segneri's move to Revco was just a small part of what took place at the Twinsburg, Ohio-based chain, as Boake Sells, the new chairman and ceo, moved to consolidate power and return Revco to a preeminent position among American drug chains.

The changes that led to Sells' appointment began a year ago with the naming of Bill Edwards as chief executive, replacing Sidney Dworkin, the architect of Revco's rise to power in the '70s and early '80s. Though Dworkin retained his chairmanship, his power was effectively short-circuited. By midyear, the financial backers of Revco's earlier leveraged buyout were looking for a fresh approach in the struggle to turn around the chain's languid performance. They secretly began to negotiate with Sells, the president and chief operations officer of Dayton Hudson.

Sell's appointment as chairman and ceo in November

Continued on next page

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But most importantly—we're listening. Through an experienced direct sales force

High-level execs *continued*
meant Dworkin's departure. Marc Dworkin, his son and the executive vp of the chain, also left.

Bill Edwards retained his president's title, but moved to a background role as Sells reorganized the corporation around his own team members. Among the changes: Carl Bellini, formerly president of Gray Drug Fair under Sherwin-Williams, was named executive vice president of stores. Jim Adamson became executive vp of marketing; Dwayne Hoven, senior vp of distribution; and Vito Cardace, executive vp-CFO.

Schwartz

Kerr

Perry was another chain that underwent a major management realignment as the company tried to fight its way back to profitability. Under a new president, David Schwartz, the drug chain was reorganized and Perry veteran Mickey Kole lost his title as president, becoming group vp.

Le Blanc

Rose

A few months later, Kole departed, and Gary Allen, a 15-year Albertson's veteran, was brought in to replace him. Then Al Wander, executive vp and chief financial officer and another Perry veteran, left the company, and Victor Melancon, who headed up MIS operations for Albertson Southco, was appointed to replace John Frazzini, vp-MIS, who had also departed.

Three chains battling for supremacy in the Washington, D.C. market, were involved in a series of executive changes reminiscent of musical chairs. Howard Diener, senior vp of purchasing at Rite Aid, left the Shiremanstown, Pa.-based drug chain, to join Peoples Drug Stores as executive vp of marketing.

Diener, who had come to Rite Aid from Dart Drug Stores, replaced Fred Edwards, who had left Peoples to join his former boss Bud Fantle as executive vp at Dart. Fantle and his son Jeff, who had become president of Dart after leaving Peoples, were joined in the new venture by Lou Schechter, a Peoples merchandising manager. Schechter was named senior vp-marketing.

T..ere were also other key appointments during the year, including these:

- Thrift senior vp Bob Hannan succeeded Jim Armor as president of the Pittsburgh-based subsidiary of J CPenney. He also became part of a three man "Office of the President" that included Anthony Civello, executive vp-store operations, and Larry Rose, executive vp-merchandising and marketing. Rose later left to join Fay's as president.
- Timothy McAlear, former executive at Kresge and Jupiter department stores, was named executive vp at Pay Less NW.
- James LeBlanc, a 30-year veteran at K&B, was named president of the New Orleans-based drug chain.
- Jeanette Solomon, another K&B veteran, retired as cosmetics buyer, but soon joined Salle 10.
- Four executives departed or will soon depart for the National Association of Chain Drug Stores, as Ron Ziegler sought to reorganize the association after assuming the presidency. The four were Bill Welsh, Ty Kelley, George Nyhart and Hal Klawitter
- Johnny Kerr, son of chairman Banks Kerr of Kerr Drug Stores, was named president of the North Carolina drug chain.
- Gary Spielfogel, son of Sid Spielfogel, chairman of Interstate Cigar, which owns Austin Drug, the Long Island-based drug chain, was named executive vp at Austin and then early this month, president. He replaced Gary Lefferts, who left to pursue other interests.

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that knows the importance of developing a strong and supportive working relationship with you.

So for quality services go with Sylvania. We're sure you'll appreciate the support.

Our promotions are making people see the light.

There's a word we use to describe how we feel about our products. Obsessed. Which is why we go out of our way to create such aggressive promotions.

Our new multi-million dollar network and spot television campaign highlights, appropriately, our obsessive commitment to quality. It's creative, exciting, and will undoubtedly have people talking.

But if there's a potential consumer whose T.V. happens to be on the blink, our Sunday newspaper insert program will have hundreds of millions of coupons dropping into households all over the country.

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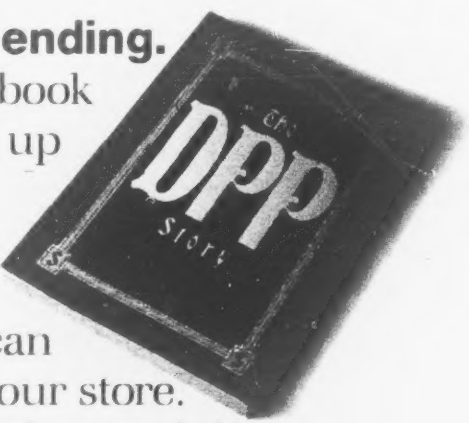

If you're looking for a good book to read, you may want to pick up a copy of our Direct Product Profitability story. It will show ycu just how profitable carrying Sylvania light bulbs can be, versus other products in your store.

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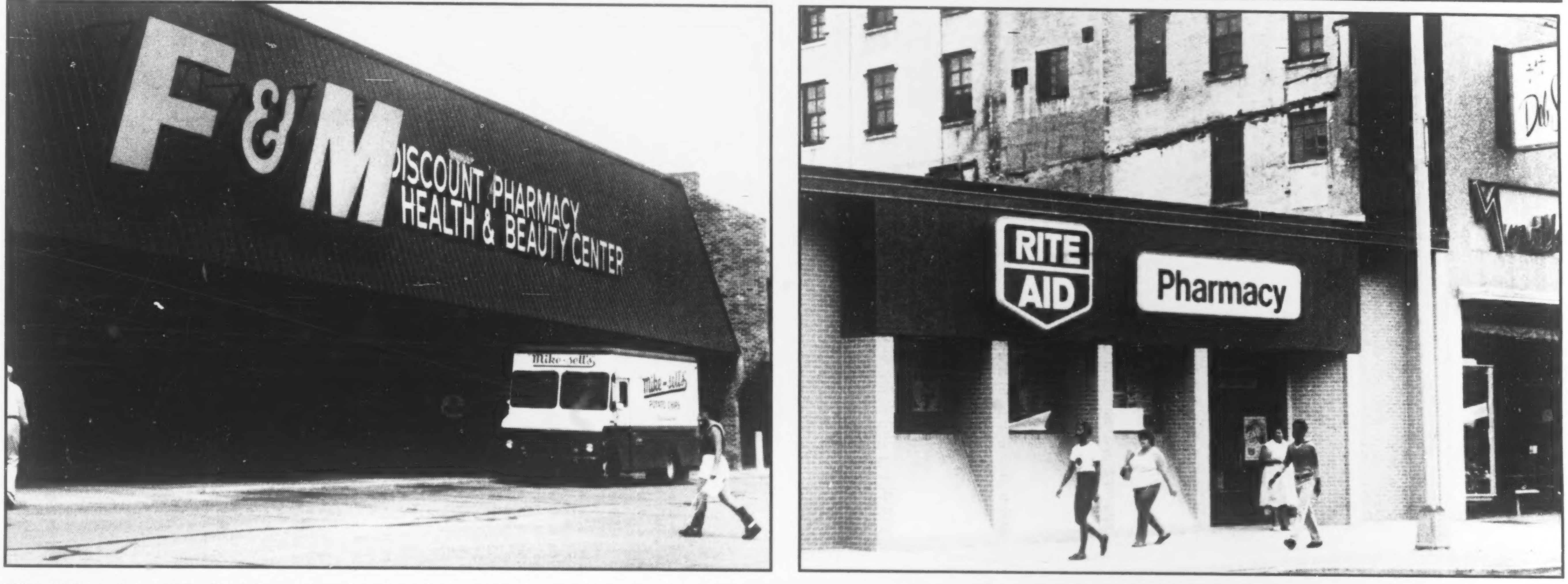


Rite Aid (right) nabbed 356 Gray Drug Fair units in 1987, taking industry honors for the biggest acquisition of the year. F & M (left) helped its growth by buying 10 Pathmark Super Drug Stores in Maryland, New York and Virginia. F & M wants to operate at least 100 off-price drug and H&BA stores by 1990.

Many takeovers mark '87, but few were megadeals

Merger and acquisition activity heated up during the year, although the size of most transactions failed to match some of the previous year's megadeals.

One exception, of course, was Rite Aid's purchase of Gray Drug Fair, the troubled Cleveland-based chain, from Sherwin-Williams for what was considered a bargain-basement price of $115 million in cash.

In completing the purchase of Gray Drug Fair's 356 stores in nine states and the District of Columbia, the Shiremanstown, Pa.-based chain moved into the number one position in drug store count, surpassing Revco, which was moving in exactly the opposite direction by trimming store numbers.

Much of the heavy activity last year involved market fortification on the one hand and strategic withdrawals on the other. Chains sought to increase their presence in markets in which they already held a healthy share of sales, and to ease themselves out of localities dominated by others.

Longs and Osco, two of the nation's strongest chains, engaged in mutual deals that got each of them out of weaker markets and shored up their presence in primary ones.

After struggling for years to increase its penetration of Phoenix, one of the nation's hottest battlegrounds, Longs gave up the battle last year and sold 10 drug stores in that capital city to Osco Drug, a market leader. At the same time, Longs sold five Tucson stores to Osco.

For its part, Osco gave up its presence in Longs' Northern California stronghold by selling 11 stores to the Walnut Creek, Calif.-based chain. Another Osco store in Colorado was also sold to Longs.

Some of the biggest potential acquisitions of the past year were still in the fires as this publication went to press.

These included the sale of 358 Brooks stores in 10 states to Hook-SupeRx, and the sale of the Begley Co. to either Rite Aid or SupeRx Corp., the Phoenix-based company headed by former Kroger executive Gerry Wolken.

The Brooks acquisition was unusual in that it involved a geographic leap between the Midwest stronghold of Hook-SupeRx and the Northeast markets of Brooks. But Hook-SupeRx has given strong signals that it will allow Brooks to continue operating with its own identity and leadership structure. Gayl Doster is expected to move from HSI's Cincinnati headquarters to become president of Brooks when the deal is consummated.

If the Brooks deal was proceeding along classically conservative lines, the Begley buyout was the epitome of an old-fashioned brawl, with tempers flaring and lawsuits flying.

The two opposing suitors for the 43-store Begley drug chain (plus six home health stores and 140 dry cleaning outlets) were Rite Aid and SupeRx of Phoenix. Rite Aid had submitted a bid, favored by Begley's board, of $28 a share for the company's 665,000 outstanding shares. SupeRx had given an indication that it might raise the ante in the bidding war to as much as $30 a share.

For Rite Aid, the acquisition would fill out markets in its push to blanket the East from New England to Florida.

For SupeRx, an aggressive newcomer to the expansion wars, the acquisition would dramatically increase its store count.

SupeRx began its existence by buying 48 stores in Phoenix, Georgia, and Alabama from the Kroger Co., when the giant food and drug store operator decided to sell off its freestanding drug store business.

In the past year, SupeRx has added a total of 10 drug stores and three home health centers to its roster, using the deep pockets of its Phoenix-based financial backer, American Continental Corp.

Other acquisitions and mergers during the year included:

- Supermarkets General, heavily in debt from a leveraged buyout, sold its 14 Pharmacity drug stores and 11 Heartland deep discount stores in Massachusetts and New Hampshire to CVS parent Melville Corp.

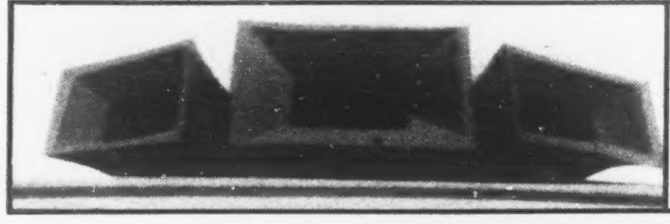
Supermarkets General also sold its Pathmark Super Drug Division, consisting of nine deep discount stores and one unfinished unit in Maryland, Virginia, and New York, to F&M, the Chicago deep discounter.

- Eckerd put 31 of its northernmost stores on the auction block, but withdrew them after failing to get its asking price.
- Pay Less purchased 24 Osco stores in Washington, Idaho, Oregon, and California. The sale took the Oak Brook, Ill.-based subsidiary of American Stores out of the Pacific Northwest and the San Francisco Bay Area.
- Revco closed or sold scores of stores in its drive to reduce its LBO debt and improve operating efficiencies, but two of the biggest blocks, the Odd Lot stores and the Carls Drug chain in upstate New York, were still unsold at press time.

The year's acquisitions

Company	Headquarters	Acquisition	Store locations
Arbor	Troy, Mich.	51% of five clinic pharmacies	Michigan
Big B	Birmingham, Ala.	15 Eckerd stores	Alabama
Eckerd	Clearwater, Fla.	Seven Revco stores Three Arbor stores	Birmingham, Ala. No. and So. Carolina
Revco	Twinsburg, Ohio	Five Eckerd stores	Brownsville, Texas
Rite Aid	Shiremanstown, Pa.	356 Gray Drug Fairs	N.Y., Pa., Del., Md., Ind., Ohio, W. Va., Va., N.C., Wash., D.C.
Osco	Oak Brook, Ill.	15 Longs stores	Arizona
Longs	Walnut Creek, Cal.	12 Osco stores	California, Colorado
Melville (CVS)	Harrison, N.Y.	14 Pharmacity and 11 Heartland stores (Supermarkets Gen.)	Massachusetts and New Hampshire
Pay 'n Save	Seattle	Six G.O. Guys stores	Washington
SupeRx Corp.	Phoenix	Three Walgreens Six stores and two home health units from Defender Drug One store and one home health unit from United Discount Drug	Alabama Arizona
F&M	Warren, Mich.	10-store Pathmark Super Drug Div. of Supermarkets Gen.	Maryland, Virginia, New York
Hook-SupeRx Inc.	Cincinnati	19 Eckerd stores	Virginia, W. Virginia
Pay Less NW	Wilsonville, Ore.	24 Osco stores	Washington, Idaho, Oregon, California
City Drugs	Panama City, Fla.	19 Revco stores	Texas

Source: Company reports



Left: At Bartell, track lighting and a suspended grid highlight cosmetics. Center: Bi-Mart's newest format brings new emphasis to cosmetics with service bar and separate floor. Right: Crown's diagonal aisle improves core cosmetics exposure.

New formats emphasize core drug store categories

Whether bold or subtle in design, new formats unveiled during the year shared one important ingredient: they put the emphasis back on the core drug store categories.

So often was the phrase "back to basics" used that it threatened to become a cliché. But the designs that emerged from the drawing boards were anything but cliché-ridden.

From the cool subtleties of Brooks Drug's new prototype in Plainville, Mass., to the hot colors of Peoples' "Boss" prototype, the designs reflected a strategy that put customer convenience, broad selection in key categories, and a heightened health and beauty image on top of the list of priorities.

Chains were also more willing to experiment with different store sizes. Super drug store operators Longs and Pay 'n Save, for example, both developed smaller store formats to fit special market opportunities.

Both chains chose names designed to set the smaller stores apart from the larger stores in the chain. Thus, Longs selected Longs Pharmacy for the launching of its downtown San Diego store, and Pay 'n Save opted for Pay 'n Save Limited.

Longs and Pay 'n Save were following the experiments of Thrifty and Pay Less, both of whom tried smaller formats for small market niches. But where Thrifty moved ahead aggressively with its Thrifty Jr. stores, Pay Less cut back on the growth of its Key drug stores, saying that the return did not justify further development.

If drug chains dipped into their creative bags to come up with new tricks, so too did competitors, who increasingly sought to poach on drug store turf. The competition came not only from the large combination store operators like Kroger and Giant Foods and mass merchandisers like Wal-Mart, but also from small specialty operators that featured strength in particular categories, like cosmetics (Cosmetics Centers and Woolworth Express) or stationery (Staples).

The hypermarket phenomenon, big in Europe but slow to get off the ground in this country, began to gather momentum in 1987 with the opening of Hypermart USA, a joint Wal-Mart/Cullum Cos. venture in the Dallas market.

A second hypermart opened shortly thereafter in Topeka, Kan., operated by Wal-Mart alone, and two more were slated to open this year, one of them in Arlington, Texas, also in partnership with Cullum.

Other companies weighed in with their versions of hypermarkets, including the French companies Euromarche and Carrefour. These were added to existing super stores that were almost hypermarket-like in their approach, including the ones operated by Fred Meyer and Meijers.

Chain drug store remodeling

Company	1986	1987	% of total stores, 1987
Eckerd	233	330	21%
Rite Aid	79	161	8
Walgreens	89	119	9
Pay Less NW	34	59	23
Revco	NA	41	2
Shoppers Drug Mart	NA	29	5
Thrift	20	27	7
SupeRx	NA	25	42
Medicine Shoppe	31	23	3
Taylor	11	16	36
Big B	15	15	8
Osco	22	13	2
Brooks	13	12	3
Drug Emporium	2	10	7
Genovese	8	9	11
Snyder	6	6	11
Harco	6	6	8
Boots	6	6	3
Kent	9	6	8
Jean Coutu	5	5	5
Medi-Save	3	5	4
Rockbottom	5	5	20
Hook-SupeRx	NA	5	1
Thrifty/White	4	5	10
LaVerdiere's	2	4	7
Rix Dunnington	5	4	10
A.D. Clark	1	4	21
Wellby	4	3	9
Duane Reade	4	3	10
Kinney	2	3	11
Kerr	2	3	4
Discount Drug Mart	2	2	8
K&B	2	2	1
Pay 'n Save	NA	2	1
F&M	NA	1	2
Medicare-Glaser	3	1	1
Drug Fair of NJ	NA	1	3

Source: *Drug Store News* 1988 Chain Drug Survey

Average chain drug store performance

Company	Store size	Sell space	Sales per store	Sales per sq. ft. of selling space
Duane Reade	5,000	5,000	$6.7M	$1,333
Medicine Shoppe	1,072	650	465,620	716
Jean Coutu	8,300	7,400	5.1M (Can.)	691
Shoppers Drug Mart	6,800	5,800	2.8 (Can.)	477
Snyder	11,200	8,600	4.0	461
F&M	24,000	17,000	7.4	437
Longs	25,800	18,000	7.7	430
CVS	7,000	5,200	2.0	384
Rix Dunnington	6,000	5,000	1.8	366
Kinney	8,000	6,500	2.3	346
Genovese	12,000	11,000	3.8	343
Wellby	7,000	5,600	1.9	332
Walgreens	11,900	9,500	3.1	326
Arbor	10,500	9,100	2.9	320
Drug Fair of NJ	NA	15,000	4.7	312
LaVerdiere's	6,500	5,000	1.5	305
Drug Emporium	25,000	21,000	5.8	278
Osco	21,376	16,684	4.6	275
Discount Drug Mart	20,000	17,000	4.7	275
Kent	6,000	4,800	1.3 (Can.)	275
Thrift	10,217	7,970	2.2	271
Douglas	15,000	13,500	3.5	257
Thrifty/White	—	7,500	1.9	255
Perry	10,800	10,800	2.5	229
Pay 'n Save	25,000	22,500	5.1	226
Brooks	6,250	4,800	1.1	224
Standard	5,600	5,200	1.1	219
Rite Aid	6,400	5,800	1.1	190
Big B	9,000	7,500	1.4	181
Revco	8,450	6,800	1.1	166
Kerr	9,600	8,500	1.3	156
Begley	8,000	6,800	1.2	154

Source: *Drug Store News* 1988 Chain Drug Survey

After crash-impaired 1987, stocks recover in '88

October's stock market dive produced some dramatic losses in drug chains' stock prices, but overall, chains didn't fare too badly when compared against year-end 1986 prices.

The total value of drug chains' stock prices at the end of 1987 was down 9 percent from 1986, with 1986 values for Medicine Shoppe and Genovese Drugs adjusted for comparison purposes to reflect three-for-two stock splits in 1987.

Chains' values grew briskly during the first quarter of 1988. By March 25, they were 20 percent higher than at the first of the year, and 10 percent above the 1986 adjusted year-end value.

Chains' values grew briskly in the first three months of 1988. By March 25, they were 20 percent higher than at the first of the year, and 10 percent above the 1986 adjusted year-end value.

The rosy experience of 1988's first few months helped erase the memories of heavy hits on stock values that were part of the Oct. 19 crash. When compared with the high prices that had developed by summer, the decline after October looked precipitous.

The *Drug Store News Stock Index* showed that chains' stocks lost 32 percent of their value from Aug. 25 to Oct. 26, after the Oct. 19 crash. The Dow Jones Industrial Average lost 34 percent of its value during that time.

Although the DJIA bottomed out Oct. 19, drug chain and wholesaler stocks didn't bottom out until a week later.

Rite Aid and Genovese fared the best on a year-end to year-end comparison, with Rite Aid's price up 22 percent, and Genovese up 36 percent, against an adjusted 1986 value to account for Genovese's Oct. 7 stock split.

Longs was the only other drug chain to show a gain, up 3 percent.

Slumping earnings performances took their toll on some stocks. Perry Drugs skidded 55 percent, as the chain launched reforms to stem the skid in profits. But Perry was on the upswing again in 1988, and gained 77 percent in value from Dec. 31 to March 25.

Arbor was down 43 percent, in a year when its earnings were affected by the costs of renovating the Sentry stores it acquired. But its stock also was gaining momentum in the new year, and by March 25 was up 18 percent from 1987.

Pay 'n Save, down 37 percent, and Begley, down 26 percent, were others whose stock prices dragged as their earnings flagged. Pay 'n Save had to fight to keep its net assets to minimum levels, when its profits started to slide.

And Begley's drug store and home health care business continued to be unprofitable.

Begley's stock began a soaring climb in January this year after SupeRx and Rite Aid became engaged in a bidding war for the Kentucky chain. It closed at $29 on March 25.

Although Fay's Drug's earnings in 1987 continued to grow in a long running rebound, they were still below the chain's historic levels. Perhaps reflecting the long term picture, its price was down 29 percent from 1986. By March 25, Fay's year-end value had jumped 33 percent, after the chain posted its seventh-consecutive quarter of earnings growth.

1987 Chain drug stock performance

Company	1987 stock prices			Percent change from 12/31/86	3/25/88 price	3/25/88 P/E
	High	Low	Last 12/31/87			
American Stores	$86.25	$41.50	$50.50	– 7%	$56.63	14.0
Arbor	21.75	7.25	9.75	–43	11.50	13.0
Begley	19.50	8.00	12.50	–26	29.00	NM[3]
Big B	15.50	8.75	11.38	– 2	12.63	13.0
Fay's	10.00	5.25	6.13	–29	8.13	18.0
Genovese	16.13	7.25	10.63	+36[1]	12.75	18.0
Longs	41.00	25.13	30.38	+ 3	34.63	15.0
Medicare-Glaser	5.25	1.75	2.13	–39	2.25	20.0
Medicine Shoppe	25.50	16.13	19.00	– 4[2]	26.50	20.0
Pay 'n Save	9.00	3.00	3.63	–37	3.38	NM
Perry Drug	15.38	5.25	5.50	–55	9.75	10.0
Rite Aid	46.25	28.50	36.00	+22	36.50	17.0
Walgreens	44.88	24.75	30.75	– 5	30.75	17.0

[1] Reflects adjustment to account for Oct. 7, 1987 three-for-two stock split.
[2] Reflects adjustment to account for March 24, 1987 three-for-two stock split.
[3] No meaningful figure.

Source: *Drug Store News* research

Mass merchandisers with pharmacies

Company	Headquarters	Total stores	No. of stores with Rx depts.	% of total stores with Rx depts.
K mart	Troy, Mich.	2,105A	1,063	50%
Wal-Mart	Bentonville, Ark.	1,035	525E	51
Fred Meyer	Portland, Ore.	96	94	98
Venture	St. Ann, Mo.	72	17	24
Pamida	Omaha, Neb.	167	30	18
Target	Minneapolis	323	19	6
Fedco	Santa Fe Springs, Cal.	9	9	100
Cook United	Maple Heights, Ohio	NA	NA	NA
Gold Circle	Worthington, Ohio	76	7	9
Ames	Rocky Hill, Conn.	344	6	2
White Mart	Minneapolis	8	6	75

A—K mart figures are U.S. only.
E—Estimate
Source: *Drug Store News* 1988 survey

Retail diversification of major chains

Company	Store type	Number of stores 1987	1988
Walgreens	Home health Restaurants	4 153	4 102
Eckerd	Eye care superstores Optical Express photo labs Home health	6 110 0 8	10 81 64 0
Rite Aid	Deep discount Auto parts Book stores Home health	25 59 39 8	29 65 39 0
Thrifty	Sporting goods	134	160
Perry	Home health Deep discount drug Auto parts	5 8 226	5 10 252
Peoples	Deep discount drug Home health Optical freestanding Eye care superstore Restaurants	9 4 4 1 5	9 4 5 0 0
Begley	Home health Dry cleaning	6 132	6 140
Big B	Home health Food/drug combos	5 5	? 0
SupeRx	Freestanding optical Deep discount drug Home health	— — —	8 3 3
Hook-SupeRx	Home health Deep discount	NA NA	30 12
Fay's	Auto parts Optical Stationery	11 6 5	15 NA 12
Medicare-Glaser	Optical Home health	8 1	7 1
Dart	Deep discount drug	5	5
Medi-Save	Optical	1	2
Genovese	Photo supplies	1	1
Harco	Home health Auto parts	11 15	11 20
Snyder	Deep discount drug	1	1
Thrifty/White	Home center Discount dept. store	1 NA	2 8
Rix Dunnington	Home health Deep discount drug	1 0	1 1
Drug Fair of NJ	Deep discount drug	8	9
Marc's	Restaurants Closeout	2 1	NA NA
Revco	Home health Deep discount drug Closeout	NA NA NA	1 4 143
Shoppers Drug Mart	Home health Deep discount drug Convenience	14 5 0	16 11 16
Kerr	Hardware	NA	1
LaVerdiere's	Arcades freestanding	NA	10
Douglas	Home health Eye care superstore	1 1	1 1
Kinney	Home health Toy	NA NA	1 1

Source: *Drug Store News* 1988 Chain Drug Survey

PERFORMANCE

1988 drug chains'

Total corporate sales

(in millions)

Company	FY ends	'87	'86	'85	'84	'83
Walgreens	8/31/87	$4,282	$3,661	$3,162	$2,745	$2,360
Rite Aid	2/27/88	2,486	1,757	1,564	1,360	1,223
Revco	5/30/87	2,317*	2,743	2,396	2,228	1,792
Longs	1/28/88	1,772	1,635	1,480	1,376	1,214
Perry	10/31/87	726	648	552	373	285
Fay's	1/31/88	500	452	445	367	312
Genovese	1/29/88	314	271	223	220	193
Big B	1/30/88	249	210	175	148	117
Arbor	7/31/87	215	151	120	N.A.	N.A
Medicare-Glaser	3/31/87	94	86	82	77	69
Begley	3/31/87	73	70	66	61	56

*Pro forma for 52 weeks

POWER
BUYING
Enjoy
Coke

Drug store units

Company	'87	'86	'85	'84	'83
Rite Aid	2,072	1,586	1,372	1,275	1,148
Revco	2,051	2,031	1,898	1,778	1,661
Walgreens	1,356	1,273	1,095	1,002	941
Longs	229	222	208	191	178
Perry	222	203	191	146	122
Fay's	185	171	143	125	102
Big B	183	150	126	114	99
Medicare-Glaser	89	86	88	101	101
Genovese	83	79	75	77	72
Arbor	74	52	43	N.A.	N.A.
Begley	40	40	42	45	43

Sales per average store

(in thousands)

Company	'87	'86	'85	'84	'83
Longs	$7,740	$7,367	$7,155	$7,203	$6,823
Genovese	3,782	3,427	3,107	2,861	2,691
Walgreens	3,063	2,769	2,765	2,609	2,379
Arbor	2,909	2,913	2,800	N.A.	N.A
Fay's	2,705	2,645	3,112	2,934	3,062
Perry	2,477	2,399	2,007	1,983	2,012
Big B	1,322	1,288	1,190	1,299	1,182
Rite Aid	1,149	1,108	1,057	1,017	1,066
Begley	1,131	1,092	1,279	1,002	1,010
Revco	1,130	1,351	1,262	1,253	1,079
Medicare-Glaser	954	920	909	760	690

Net-to-sales ratio

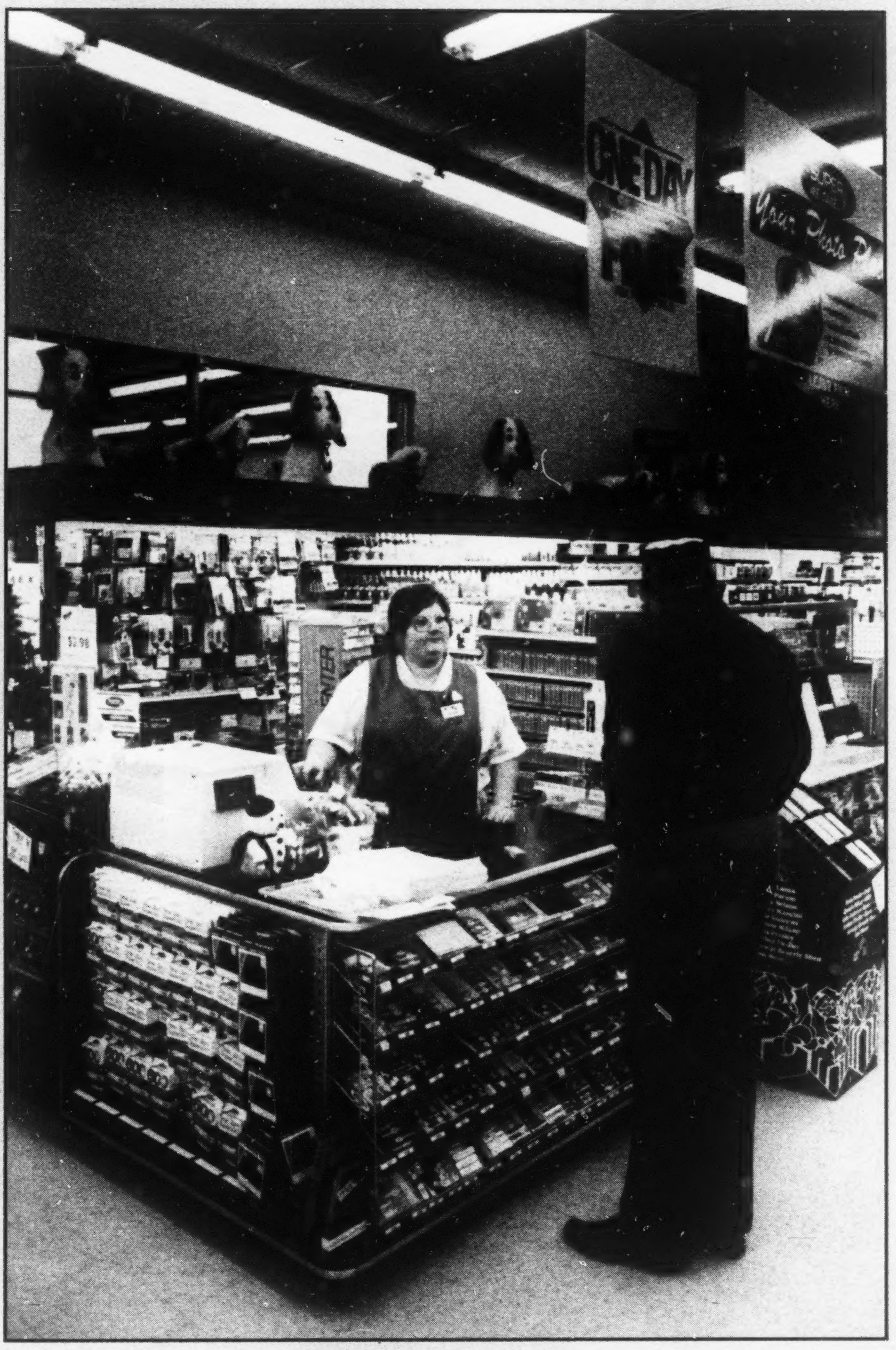
Company	'87	'86	'85	'84	'83
RiteAid	5.8%	4.4%	4.3%	4.8%	5.1%
Big B	2.9	2.1	2.3	2.9	3.0
Longs	2.8	2.4	2.5	2.9	3.0
Arbor	2.4	3.5	3.0	N.A.	N.A
Walgreens	2.4	2.8	3.0	3.1	3.0
Genovese	1.5	0.8	1.2	1.9	2.0
Fay's	1.2	0.9	0.6	2.4	2.6
Medicare-Glaser	0.6	*	0.2	3.8	1.4
Begley	**	0.9	1.4	1.2	1.4
Revco	*	2.1	1.6	4.2	3.7
Perry	*	0.9	1.8	2.1	1.6

*Reported net loss for fiscal year

**Less than 1/10 of 1 percent

Source: Company reports

financial scorecard



Net income

(in thousands)

Company	'87	'86	'85	'84	'83
Rite Aid	144,553	77,984	62,547	69,936	62,167
Walgreens	$103,537	$103,137	$94,169	$85,446	$69,789
Longs	49,218	38,594	37,718	40,094	36,387
Big B	7,300	4,470	4,039	4,442	3,471
Fay's	5,942	4,098	2,787	8,679	8,103
Arbor	5,150	5,319	3,646	N.A.	N.A.
Genovese	4,640	2,035	2,929	4,137	3,856
Medicare-Glaser	653	*	161	1,104	970
Begley	24	701	695	733	807
Perry	(7,900)	5,878	9,575	7,650	4,545
Revco	(59,509)	56,934	38,906	93,411	66,470

*Net loss for fiscal year

Gross margin %

Company	'87	'86	'85	'84	'83
Begley	35.8%	37.9%	38.0%	33.9%	33.4%
Medicare-Glaser	32.7	33.4	34.1	34.2	33.1
Perry	30.5	31.1	31.7	31.1	29.9
Walgreens	29.9	30.3	30.7	30.7	30.6
Arbor	28.8	29.2	28.3	N.A.	N.A.
Big B	30.2	29.7	29.2	29.3	29.8
Genovese	29.7	29.1	28.9	29.7	29.9
Rite Aid	28.0	28.6	28.7	29.3	28.2
Revco	N.A.	26.3	25.1	28.1	27.4
Fay's	27.8	26.8	23.7	25.5	25.6
Longs	25.3	24.1	24.2	24.0	24.6

Expense Ratio*

Company	'87	'86	'85	'84	'83
Longs	19.8%	19.2%	19.3%	—	—
Rite Aid	20.4	19.7	19.5	17.5%	19.9%
Fay's	25.8	23.6	20.8	20.2	19.5
Revco	N.A.	21.7	21.7	19.1	19.0
Arbor	23.9	22.8	22.7	N.A.	N.A.
Walgreens	25.4	25.0	24.2	24.1	24.4
Big B	24.4	24.3	24.2	23.2	23.7
Perry	28.0	28.2	27.8	26.2	25.9
Genovese	26.8	27.5	28.1	24.7	25.0
Med. Glaser	30.3	33.6	32.9	28.9	28.3
Begley	N.M.	49.6	47.2	44.8	42.7

*Excludes depreciation and amortization costs

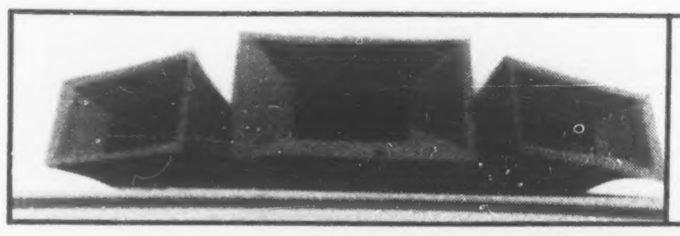
N.M. No meaningful figure

Return on shareholders equity %

Company	'87	'86	'85	'84	'83
Arbor	14.7%	24.4%	38.9%	N.A.	N.A.
Walgreens	17.6	19.9	21.0	22.3%	21.4%
Rite Aid	28.3	19.6	16.6	20.6	21.3
Longs	16.4	13.3	13.5	—	—
Big B	12.4	12.9	12.5	15.9	14.6
Revco	*	12.5	8.6	22.7	20.2
Genovese	17.6	8.1	12.7	19.3	21.3
Perry	*	7.4	13.3	12.7	11.5
Fay's	10.8	6.8	4.6	15.6	20.8
Begley	**	6.8	7.1	7.5	8.6
Medicare-Glaser	6.3	*	**	27.9	21.6

*Reported net loss for fiscal year
**Less than 1 percent

Source: Company reports



PERFORMANCE

Deep discounters flexing their store growth muscle

Aggressive expansion by deep discount drug retailers marked 1987. Two of the nation's biggest chains, F & M and Phar-Mor, have been barreling into new markets, and virtually doubling their store counts.

Drug Emporium, currently the nation's highest-volume deep discount drug chain as well as the chain with the most stores, has not been as active. However, its management did open 23 stores in 1987, and they entered three new markets while continuing to cluster stores in existing markets.

Among the more active chains emerging on a regional level: Wal-Mart has been expanding its Dot stores and now has 12 in operation; Rite Aid has expanded Drug Palace to 28 stores; Melville is now up to 14 Freddy's; and Woolworth now has a total of eight Rx Places.

In Ohio, Marbal Corp. has been opening more Marc's and Bernie's.

There has also been some consolidation this year. F & M has acquired the Supermarkets General 10-unit chain of Pathmark Super Drug deep discount drug stores, and is using it as a conduit into the Northeast, particularly the major cities of Baltimore and Washington, D.C. The acquisition also gave F &M entry into upstate New York and easy access to Philadelphia.

The three top-tier chains now operate a total of 269 stores, or about 63 percent of all the deep discount stores in the country. Together, they generate approximately $1.6 billion in sales, about 67 percent of all deep discount volume.

When deep discounting first began to grow a decade ago, it belonged to small regional chains and a smattering of independents in relatively depressed economic markets like Youngstown, Ohio; Chicago; Detroit; and Cleveland.

Today, however, the deep discount concept has proven itself "viable." The dramatic growth of Drug Emporium, Phar-Mor and F & M has shown the concept is "portable" and can flourish in a wide variety of different markets.

"What we're witnessing today is a legitimization of the deep discount format," says F & M President Frank Newman.

Five years ago, most sources said there were only about 500 to 1,000 locations that could support a deep discount store. Today there are already close to 500 deep discount stores in operation, and there is a feeling that no one really knows how many more can be opened and run profitably.

Not all deep discount chains are alike, say Newman and Gary Wilber, executive vp of Drug Emporium. Each of the top three chains—F & M, Phar-Mor and Drug Emporium—target a slightly different niche. In some cases their main competitor is a food store; in other cases, they tailor their mix so they primarily attract business from drug and discount stores and from the H&BA departments of food chains.

In the top tier, Phar-Mor, with its broad merchandise mix of approximately 30,000 SKUs and its large, 40,000- to 50,000-sq.-ft. stores, is the least specialized and the most generalized. Its mix includes a broad selection of groceries and sundry general merchandise, as well as H&BA.

Drug Emporium, with its fairly limited selection of general merchandise and its heavy emphasis on pharmacy and H&BA, is the most specialized; F & M is in between.

In the second-tier chains, most sources seem to feel that the best operations, and the ones with the strongest growth potential, are the following:

- Melville's Freddy's, which currently has 14 stores in operation, and plans to open another 30 by the end of 1989;
- Wal-Mart's Dot, which now has 12 stores opened, and three to nine more planned for this year;
- Woolworth's Rx Place, which has eight stores now and hopes to open as many as eight more before the end of the year;
- Perry's A.L. Price, which has 10 stores now, and which is planning at least another three more stores this year, and possibly may open more if the right sites are found; and
- Rite Aid's Drug Palace, which has 28 stores now, and which will probably open several more before the end of the year.

The chains owned by Melville, Wal-Mart, Woolworth, and Rite Aid, all have the capital to support aggressive growth, although their parents haven't indicated this as a priority.

Other conventional drug chains have experimented with deep discounters, but most haven't gotten much further than just testing the format. Currently there is no sign that they plan to aggressively expand this concept.

Peoples has nine Bud's, but there are currently no expansion plans, and sources say Peoples has talked to several parties about selling the division. Dart Drug still runs just five Total Plus stores, but again there is talk of a possible sale of the division.

When SupeRx underwent its leveraged buyout, it sold or closed many of the stores in its then 21-unit Drug World chain. Three stores were sold to Gerry Wolken's SupeRx Corp. in Phoenix; Rite Aid bought a store in Delray Beach, Fla.; Medicare-Glaser bought a unit in St. Louis and reopened it as a Drug City deep discounter; and Kroger kept another unit in St. Louis. Hook/SupeRx now has 12 Drug World units, but has not announced any plans for their future.

Some new prototypes did emerge in 1987, but at this stage that are regarded as primarily tests of the deep discount store format. One of the hottest variations this year is the "hybrid" deep discount store, which is basically a cross between a true deep discount drug store and a warehouse/wholesale club store.

At least two new chains emerged this past year with that concept: Price Rite in Sacremento, and MedClub in San Diego.

Rix Dunnington in Brockton, Mass. also moved into the deep discount arena with the opening last November of its first deep discount drug store: Jake's Pharmacy Emporium.

And about a year ago, the Jean Coutu Group (PJC) opened its first deep discount store in this country: Maxidrug.

Pharmacy at deep discounters

Company	Total stores	No. with Rx depts.	% with Rx depts.
Drug Emporium	137	137	100%
Drug Palace	28	28	100
Freddy's	14	14	100
Rockbottom	25	13	52
Dot	12	12	100
A.L. Price	10	10	100
Rx Place	8	8	100
Joel and Jerry's	6	6	100
Get It For Less	4	4	100
Maxidrug	3	3	100
Jax's	2	2	100
Value Giant	4	2	50
Cost Cutters	9	1	11
Ike's	3	1	33
Price Less	1	1	100
Wonder World	14	0	—
Cecille's	1	0	—
Total Plus	5	0	—

Source: *Drug Store News* 1988 survey

Top deep discounters

Company (parent)	Headquarters	$ sales (in millions)	% change	Stores	% change
1. **Drug Emporium**	Worthington, Ohio	$800	NA	137	22%
2. **Phar-Mor**	Youngstown, Ohio	400E	NA	80	NA
3. **F&M**	Warren, Mich.	330	59%	52	86
4. **Marc's**	Cleveland	182E	NA	12	NA
5. **Rockbottom**	Port Washington, NY	175E	NA	25	14
6. **Freddy's** (Melville)	Woonsocket, RI	95	39	14	27
7. **Howies** (SDM)	Toronto	55E	NA	12	9
8. **Drug Palace** (Rite Aid)	Shiremanstown, Pa.	49E	NA	28	17
9. **Dot** (Wal-Mart)	Bentonville, Ark.	46E	NA	12	100
10. **Rx Place**	New York	44E	NA	8	100
11. **Drug World** (SupeRx)	Cincinnati	40E	NA	12	NA
12. **Cost Cutters** (Community Distributors)	Somerville, NJ	39	10	9	13
13. **Drug Castle** (Brown)	Springfield, Ohio	38E	NA	10	45
14. **A. L. Price** (Perry)	Detroit	36E	NA	10	20
15. **Wonder World** (Pay Less NW)	Wilsonville, Ore.	30E	NA	14	0
16. **Bud's** (Peoples)	Alexandria, Va.	29E	NA	9	0
17. **Value Giant** (Pay Less NW)	Wilsonville, Ore.	25E	NA	4	100
18. **Joel and Jerry's**	Largo, Fla.	22E	NA	6	20
19. **Jax's** (Stonegate Trading)	Hudson, Ohio	17E	NA	2	0
20. **Get It For Less** (Revco)	Twinsburg, Ohio	17E	NA	4	0
21. **Total Plus** (Dart)	Landover, Md.	17E	NA	5	0
22. **Ike's** (Malone & Hyde)	Memphis	16E	NA	4	100
23. **Cecille's**	Detroit	15E	NA	1	0
24. **Maxidrug** (Coutu)	W. Springfield, Mass.	10E	NA	3	NA
25. **Price Less**	Sacramento, Cal.	8	NA	1	0

E Estimate

Source: *Drug Store News* 1988 survey

Combo operators rely on convenience and glamour

The past year has been a heady one for the combo store format. In market after market, supermarket chains revitalized their marketing and sales efforts with new, glamorous, food/drug prototypes that combined an appealing shopping environment with the convenience of one-stop shopping.

More than ever, supermarket retailers are committed to the food/drug format as the expansion vehicle of choice. Said Charles Collings, president of combo pioneer Raley's in Sacramento: "We feel we have to have a pharmacy to have a complete store. It's part of our overall concept from the beginning, anywhere we open."

"We try to open with a pharmacy wherever we open a new store," added a spokesperson for Vons.

Recent months have also seen an upsurge in supermarket chain consolidation through mergers and acquisitions, so that the retail pie is being sliced not only in larger pieces, but in different ways. The result: enormous gains in market penetration and geographic reach by some supermarket retailers like Vons Companies, and a wholesale cutback in market penetration by former giants like Safeway Stores.

Either way, the forces of consolidation and expansion mean powerful competition for the chain drug store industry. Safeway, for instance, abandoned some of its biggest markets over the past year, along with more than 150 stores with pharmacies. But a host of other supermarket and combo store operators have leaped into the vacuum by snapping up former Safeway locations, including Cullum Cos., Albertson's, Vons, Bormans, and Minyard.

In most cases, the change could spell new problems for local drug store competitors in markets like Dallas/Ft. Worth, Oklahoma City, and Kansas City, as the drug chains and independents shift strategies to deal with new, perhaps more powerful adversaries unburdened by the problems that dogged Safeway. To many, it must seem like fighting against the mythological Hydra: cut off one head, and two new ones grow instantly in its place.

"We knew what we were up against with Safeway," noted one chain drug executive. "If an operator comes in with a more aggressive pharmacy marketing program, we might have a tougher time against them."

Safeway's market retreat may alter the balance in many markets over the next year. Vons, for instance, will become the undisputed leader in the nation's biggest combo store market with its purchase this year of Safeway's 172-store Southern California division, which includes 34 in-store pharmacies. In the same region, American Stores' planned purchase of Lucky Stores would boost market penetration and expansion opportunities for its own Skaggs/Alpha Beta combo format.

Lucky has already developed its own new combo prototype, a 60,000-sq.-ft. powerhouse called Advantage, and is preparing to debut the concept in San Diego this month. The chain already operates 92 combos, with plans to open another 30 within a year.

In St. Louis, meanwhile, National Supermarkets boosted its strength with the purchase last year of 26 Kroger supermarkets and the expansion of its in-store Kare Pharmacy network. St. Louis, in fact, has become a battleground between two powerful combo store operators, National and Schnuck's, intensifying competition for local drug chains like Walgreens and Medicare-Glaser.

Kroger
Food & Drugs
open 24 hrs

Kroger leads the combo field in pharmacy presence as it closes in on the 500 prescription counter benchmark.

Supermarket chains with pharmacies

Company, headquarters	Total Stores	No. of stores with Rx departments	% of total stores with Rx departments
1. Kroger, Cincinnati	1,052	482	46%
2. Safeway, Oakland, Cal.	1,175	288	25
3. Albertsons, Boise, Idaho	460	172	37
4. American Stores, Salt Lake City, Utah	1,590	NA	NA
5. Supermarkets General, Woodbridge, NJ	140	128	91
6. Lucky Stores, Dublin, Cal.	483	97	20
7. Giant Food, Landover, Md.	144	93	65
8. Shop Rite, Wakefern Foods, Elizabeth, NJ	181	84	46
9. Smith's Management, Salt Lake City, Utah	90	81	90
10. H. E. Butt, Corpus Christi, Texas	151	73	48
11. Raley's, Sacramento, Cal.	53	52	98
12. Furr's, Lubbock, Tex.	121	50	41
13. Vons Value Centers, El Monte, Cal.	193	49	25
14. Farm Fresh, Norfolk, Va.	67	43	64
15. Tom Thumb Page, Dallas	68	38	56
16. Randall's, Houston	40	34	85
17. Grand Union, Elmwood Park, NJ	308	33	11
18. Wegman's, Rochester, NY	39	31	79
19. A&P Supermarkets, Montvale, NJ	1,200	31	0 .25
20. Stop & Shop, Quincy, Mass.	113	22	19
21. Smitty's Super Valu, Phoenix, Ariz.	22	18	82
22. Ericson's Food, Hudson, Wis.	14	14	100
23. Carr's Quality Centers, Anchorage, Alaska	13	13	100
24. Dahl's, Des Moines, Iowa	13	13	100
25. Foodway, Fayette, Ala.	27	12	44
26. Bruno, Birmingham, Ala.	122	11	9
27. Sack 'n Save, Minyard's, Coppel, Tex.	11	7	64
28. Dierberg's, Chesterfield, Mo.	11	5	45
29. Randall's, Mitchell, SD	27	4	15
30. Smithy's, Springfield, Mo.	4	3	75
31. Roundy's, Pewaukee, Wis.	198	1	0. 5
32. Sentry Markets, Waukesha, Wis.	85	1	1

Source: Drug Store News 1988 survey.

"All our new stores will have Kare pharmacies from now on," noted Jerry Callahan, director of pharmacy operations for National. "There is more profit for us in H&BA and general merchandise than in food, and we want to use our pharmacies themselves as profit centers rather than just traffic builders."

Many supermarket retailers have come to the same conclusion. The result has been the rapid expansion of the combo format in all parts of the country.

In the hotly-contested Florida market, for instance, Publix is beginning to open its own combo prototype, eroding a longstanding hands-off relationship with Eckerd Drug. Florida is also a target for new expansion by Albertson's and other combo operators.

In nearby Alabama, Bruno's flexed its marketing muscle last fall by purchasing Big B's five B-Mart combos and pursuing its own expansion plans for greater Atlanta. Bruno's also entered into an agreement to develop hypermarkets in partnership with K mart.

Farther to the north, Giant Food opened 11 more of its powerful food/drug stores over the past year in Maryland and Virginia, with another eight in preparation stages. Giant, which has a strong share of the Washington, D.C. and Baltimore markets, also continues an aggressive remodeling and renovation program on older stores.

In Minneapolis, meanwhile, Rainbow Foods has begun opening pharmacies in its upscale food warehouse stores, offering prescriptions at a steep discount.

Out west, Albertson's is projecting capital expenditures of $1.3 billion over the next five years, most of it on superstore and combo store expansion. The chain will enter Phoenix next year with six new 60,000-sq.-ft. combos.

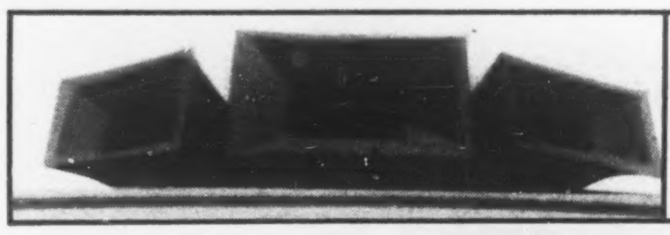
Southern California also saw the merger of Thrifty Jr. stores with Ralphs Grocery Co.'s Giant superstores in four locations in recent months, as well as the expansion and upgrading of Vons' ultra-modern Pavilions combo concept.

In Northern California, Raley's, Albertson's and other chains have accelerated expansion plans in Sacramento and elsewhere; Raley's is moving steadily toward the Bay Area.

Kroger, the nation's leader in combo retailing, has invaded several markets in the past year with its new "store of the '90s" prototype. At more than 60,000 sq. ft., the stores offer upgraded selections of greeting cards, cosmetics and fragrances, pharmacy-related products and other departments in a dramatic, high-service setting.

Kroger has already opened the new units in Cincinnati, Memphis, Indianapolis and other markets.

In another development, Massachusetts became the last state to throw down barriers to combo store retailing in 1987 when it overturned regulations governing the operation of pharmacies and supermarkets under the same roof. The change in law has opened the door for combo expansion in that state, and retailers like Purity Supreme, Stop & Shop and Star Market are preparing new food/drug formats.



PERFORMANCE

Drug chains take stock of warehousing problems

Warehousing chain drug stores continued to concentrate on upgrading their distribution center facilities in 1987.

The product mix in the average chain warehouse remained about the same, but this year the emphasis was on improving the flow of information so chains might achieve better turns and higher in-store stock service levels.

In the past, many chains have been plagued by severe out-of-stocks because of problems with their warehouse systems, but this year chains seem to be getting better at warehousing. The problems that had once plagued some of the major chains like Peoples, Dart, Eckerd and Revco have somewhat alleviated.

Sources at Peoples Drug, for example, say their problems with their warehouse systems have been virtually eliminated. Stores reported being better serviced by their warehouses.

This year the emphasis was on improving the flow of information so chains might achieve better turns and higher in-store stock levels.

Buyers rejoiced; the worst of their problems seemed to be over.

Peoples first ran into severe difficulties in 1985 when it opened a new computerized warehouse in Fredericksburg, Va. Peoples paid several million dollars for a new computer system meant to automate the warehouse, sources said, but for much of the first year of operation, the system wasn't working properly, and stores were consistently left with serious holes in their inventories.

Peoples management said that part of the problem was that the warehouse opened at a very low capacity, about 10 percent of its estimated volume. Today, the warehouse is operating at about 90 percent of capacity, and the computer systems that run the warehouse have been "debugged."

Eckerd Drug, too, has had its problems running distribution centers efficiently. Earlier this year, the chain announced it would close one of its seven facilities: its 228,000-square-foot center in Hammond, La.

Management said the closing would help the chain improve its "efficiency" in servicing its stores. The 165 stores that the Hammond unit had serviced will now be serviced by three DCs in Atlanta, Houston, and Dallas.

One source said the closing was a form of "consolidation" for Eckerd. "They've eliminated the expense of running a major facility," he said, "and they're now using three centers instead of four to service their stores. Assuming the three centers were under-utilized and have the capacity to service the stores efficiently, it should be a good move."

According to sources, the average drug chain hasn't been able to operate its warehouses as consistently as drug wholesalers.

The higher volume drug wholesalers can generally maintain a 92 percent to 98 percent in-store service level for their customers, but most chain drug warehouses, sources say, operate around an 80 percent or lower rate.

Top drug chains in warehousing

Company	1987 No. of DCs	1987 Total. sq. ft.	1987 % handled thru DCs	1988 No. of DCs	1988 Total. sq. ft.	1988 % handled thru DCs
Eckerd	7	2.8M	NA	7	2.8M	90%
Revco	9	2.8M	90%	9	2.6M	86
Walgreens	6	2.3M	70	6	2.3M	70
Peoples	7	1.6M	80	7	1.6M	80
Thrifty	3	1.3M	85	3	NA	NA
Rite Aid	4	1.1M	89	6	1.6M	88
Pay Less NW	2	1.0M	70	2	1.2M	78
Osco	2	1.0M	NA	4	986,257	58
CVS	2	NA	85	3	NA	NA
Wellby	2	600,000	NA	2	800,000	NA
Perry	3	762,000	56	2	712,000	NA
Dart	1	600,000	60	1	680,000	NA
Pay 'n Save	4	753,000	NA	3	589,500	80
Brooks	1	350,000	90	2	500,953	82
Kent	NA	NA	NA	2	500,000	70
K&B	2	480,000	85	2	480,000	85
Hook-SupeRx	NA	NA	NA	1	415,500	85
Snyder	1	360,000	85	1	358,000	85
Big B	1	240,000	70	1	240,000	70
Rockbottom	1	200,000	85	1	200,000	85
Genovese	1	155,000	60	1	160,000	60
Jean Coutu	1	180,000	58	1	150,000	55
Duane Reade	1	130,000	80	2	145,000	85
Harco	1	135,000	60	1	135,000	60
Kinney	1	118,000	95	1	125,000	85
Medicine Shoppe	3	100,000	NA	3	120,000	8
Standard	1	116,000	79	1	116,000	78
Kerr	1	128,000	60	1	108,000	65
Begley	1	90,000	50	1	105,000	72
F&M	1	77,000	NA	1	100,000	NA
LaVerdiere's	1	90,000	NA	1	90,000	NA
Drug Fair of NJ	1	81,000	NA	1	87,000	50
Discount Drug Mart	1	91,000	60	1	87,000	60
Taylor	1	100,000	NA	1	80,000	80
Rix Dunnington	2	75,000	50	2	75,000	50
Medicare-Glaser	1	75,000	70	1	77,000	*
Arbor	1	60,000	70	1	60,000	70
Big V	1	60,000	30	NA	NA	NA
Douglas	NA	NA	NA	1	33,000	10
Bill's	1	NA	30	1	30,000	25
Medi-Save	1	20,000	80	1	20,000	80

*Medicare-Glaser DC handles 95% of Rx and 55% of OTC merchandise.

Source: *Drug Store News* 1988 Chain Drug Survey

There are exceptions, however. The warehouses run by Walgreens, CVS and Rite Aid stores are considered way above average for the industry, and sources say their stores are seldom ever out of stock on any warehouse item.

Last year, CVS opened its first warehouse facility outside the East Coast: a 190,000-square-foot facility in Rancho Cucamonga, Calif. CVS's management says the new facility can probably support CVS's expansion in its California markets for at least another five years.

Delivery time has been shortened at these stores from seven days to five, but most stores are still getting just one delivery a week.

"We basically traded off hauling expenses for the expense of warehousing in California," said one source.

CVS now has 49 stores in California, and plans to open another 100 stores over the next five years.

CVS also plans to open another warehouse in New Jersey, either later this year or early in 1989. The new facility will be about 400,000 square feet, and will be able to service about 200 more stores within a radius of about 150 miles.

Management says CVS isn't planning to add any new technology to its new warehouse. "Our systems are pretty advanced," said one source, "and we're at the point where we're getting what we need." CVS currently moves close to 90 percent of its entire merchandise mix through its warehouses.

Walgreens, with a broader mix than CVS, moves about 70 percent of its products through its six warehouses.

The average warehousing chain moves between 60 percent and 70 percent of its mix through its own warehouses, and sources estimate the average chain warehouse turns its inventory about four or fives times a year.

CVS and Walgreens have not revealed how often they turn their inventories, but some sources estimate they probably turn them about eight or nine times a year. CVS could get as many as 10 or 11 turns a year, one source estimated.

Sources say, however, that the deep discount chains that warehouse have the highest turns. This is because their warehouses don't really stock product—they just break large shipments down into smaller shipments that then are sent out to all their stores.

F & M operates this way, and so does Rock Bottom and Duane Reade.

Duane Reade and Rock Bottom are both currently handling approximately 85 percent of the mix in their stores from their warehouses. Rock Bottom currently has a 200,000-square-foot warehouse facility. Duane Reade has invested funds to enlarge its 130,000-square-foot warehouse by an additional 30,000 square feet.

Many drug wholesalers can maintain a 92-98 percent in-store service level; for most chain warehouses it's 80 percent or lower.

Sources say all the warehouses operated by these chains are completely computerized. "We use computers to receive the product," said a Duane Reade source, "to keep track of where we put it in the warehouse, and to record the movement when we sent it out." Computers also handle all returns, and keep track of all price changes and other important types of information.

Some conventional drug chains also use at least some of their warehouse facilities strictly for distributing promotional and seasonal product.

These warehouses don't stock any product year-round. Instead, they accept deliveries by the truckload or rail car and break them down into smaller cases to be shipped into their stores. These facilities literally turn their product overnight. Longs Drug in Walnut Creek, Calif. uses such facilities, and so does Brooks Drug in Pawtucket, R.I.

Except for CVS opening its California warehouse and beginning construction on another New Jersey facility, there hasn't been too much expansion of chain drug warehouses in 1987.

However, Thrifty Drug announced that it will soon begin construction on two new distribution facilities: both will be about 400,000 square feet, and both will be located in San Bernadino County.

Thrifty plans on using one of the facilities for its drug stores and the other one for its chain of Big 5 sporting goods stores.

Chains score breakthroughs in retail automation

For even the smallest drug chains, automation has become a buzzword in the 1980s. More than two-thirds of all drug chains will have chainwide pharmacy computers in operation by the end of the year, according to a recent *Drug Store News* survey, and many will also have converted their front-end checkstand registers to fully automated point-of-sale systems.

The benefits that pharmacy computers have conferred on the profession are undisputed. Even chains that held off for many years on pharmacy automation—Osco is one example—are now moving quickly to install the systems chainwide. Osco, for instance, extended pharmacy computers quickly to 400 stores last year, and CVS also topped off installation efforts.

Other drug chains which moved into pharmacy automation early are going back in with upgraded systems, convinced that the benefits will far outweigh the costs. Perry Drug Stores is one; at the company's recent annual meeting, chairman Jack Robinson announced plans to install new Rx computers chainwide along with automated, scannable POS systems.

The benefits of front-end automation are also well known, but not as easily understood by many retailers. POS systems' benefits include faster checkouts, tighter inventory control, labor savings with the elimination of price stickering, and reduced theft, but many drug chains aren't prepared to take advantage of such a tool. For one thing, the new systems can generate an unprecedented flood of information on sales for every item in the store. Many chains simply aren't yet set up to digest such a flood, however.

In the right hands, the information flow will be a major boon to improved operations and streamlined merchandise control. With the proper host computers and management information systems in place, the flood of data generated by POS systems can be channeled in a host of ways to provide retailers with an astonishingly accurate picture of item movement, department-by-department turns and profitability, effectiveness of promotions, and other occurrences.

Such a detailed picture can be used for maximum effectiveness in planogramming, in planning sales activity, in controlling inventory costs, in phasing out unprofitable SKUs, and in keeping shelves well-stocked.

"Distilling the data we get is the key to success," noted an exec with Perry Drug, which has extended its test of front-end scanners to six units.

"The scanners in our test store are giving us so much information that it will take us months or years to figure out what to do with it," added one MIS executive. "But the uses of that information to our store operating and merchandising procedures are limitless."

Despite the obstacles, most of the nation's major drug chains have thought through their objectives for POS automation, and many are well on the way to chainwide POS installation. In most cases, drug chains are working with scanner-ready checkout terminals while holding off on scanners themselves for the time being.

Often, the front-end systems are linked to computers in the pharmacy or to host computers in the store manager's office, thus creating integrated store automation packages linking stores with headquarters for greater central support and control.

Over the past year, the industry has taken some decisive steps toward total retail automation. For automation leaders like Walgreens, Rite Aid, Thrifty and Pay Less NW, the result is the beginning of an unprecedented integration of all aspects of store and pharmacy operations.

Among recent efforts, the following stand out:

- Walgreens unveiled SIMS, or Strategic Inventory Management System, and kicked off its first marketwide test of front-end scanning in Fort Wayne, Ind. "I can't overemphasize how vital SIMS is to the future of Walgreens," said chairman Charles Walgreen III. "Through it, we will design and build new systems to maximize our efficiency in buying, distributing, displaying and selling merchandise."
- Revco D.S. extended a year-long scanning test involving both IBM and AT&T computer systems and various types of scanners. The chain also upgraded MIS capabilities and point-of-sale tracking to target needed improvements in store sales and the merchandise mix.
- Fay's, which has already installed electronic data capture checkout chainwide, began a test of scanners.
- Thrifty Corp. continued its three-year project to install computers and POS systems in all 800 stores. The program "will increase the accuracy of pricing, speed checkouts, improve inventory control, and enhance knowledge of consumer buying patterns to allow more responsive advertising and merchandising practices, among other benefits," the company noted in its recent annual report.
- Arbor Drugs unveiled Arbor Plus, a new prescription drug PPO which draws on the company's Arbortech pharmacy system, which has been in place chainwide for a decade.

Point-of-sale and scanning at drug chains

Company	Total drug stores	With POS		With scanning	
		No.	%	No.	%
Osco	645	645	100%	125	19%
Rite Aid	2,070	619	30	619	30
Hook-SupeRx	679	343	51	7	—
Pay Less NW	254	254	100	57	22
Eckerd	1,581	225	14	2	—
Brooks	362	100	28	9	2
Big B	183	84	46	84	46
Dart	85	55	65	0	0
Thrift	407	38	9	38	9
Kent	72	27	38	0	0
Drug Fair of NJ	31	31	100	2	6
Shoppers Drug Mart	586	19	3	19	3
Pay 'n Save	143	18	13	18	13
F&M	52	9	17	9	17
CVS	698	3	—	3	—
Longs	229	2	1	2	1
Genovese	83	2	2	2	2
Snyder	57	1	2	1	2
Peoples	819	0	0	11	1
Kinney	28	0	0	4	14

Note: Walgreens, Thrifty and Perry are testing systems.

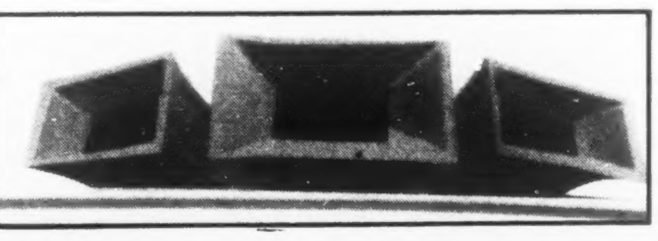
Source: *Drug Store News* 1988 survey

Pharmacy computers in chain drug stores

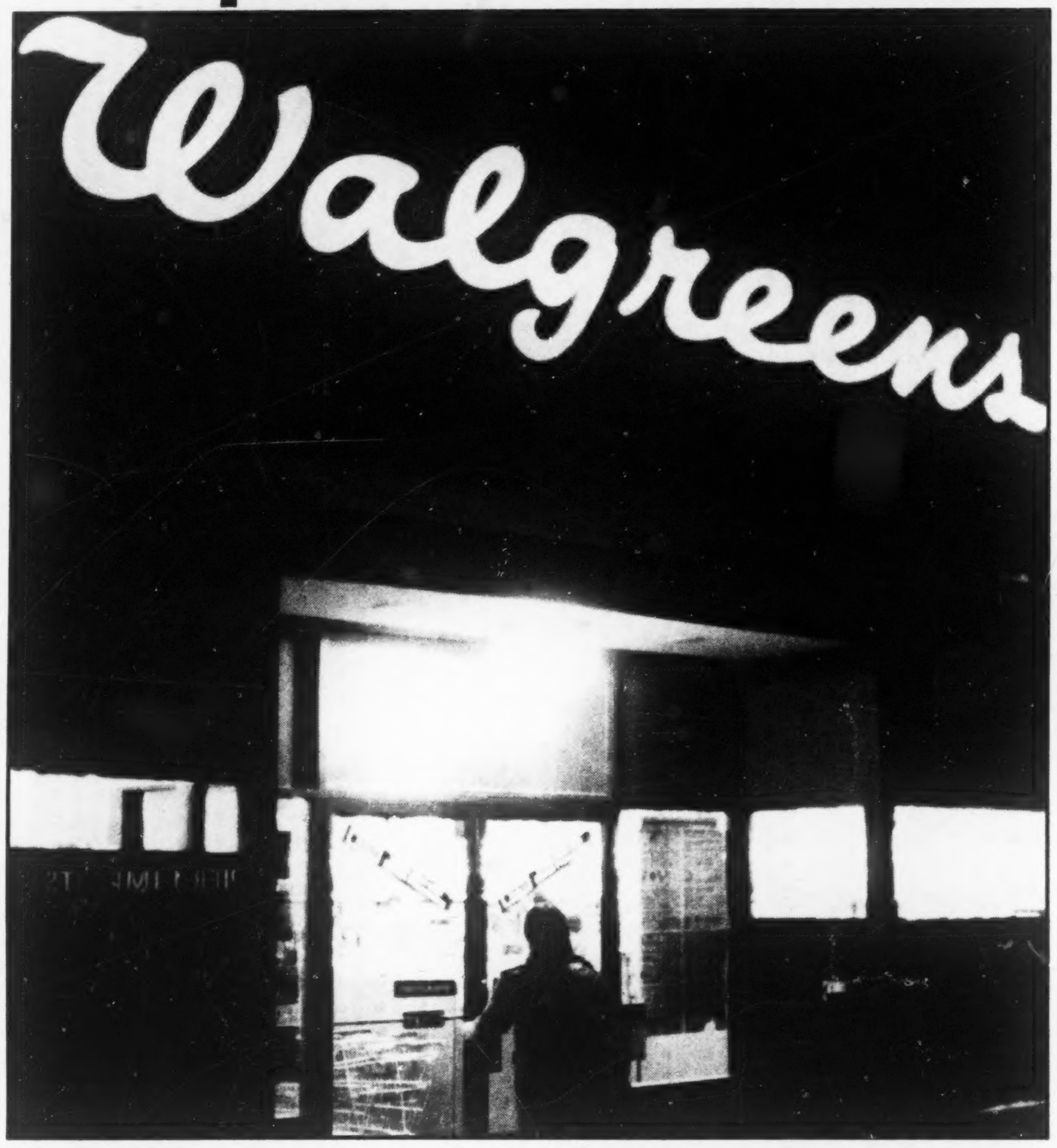
Company	1987		1988	
	No. of stores	% of total	No. of stores	% of total
Eckerd	1,500	92%	1,581	100%
Rite Aid	825	52	1,537	74
Walgreens	1,217	96	1,300	96
Thrifty	464	78	641	100
CVS	250	40	491	70
Peoples	NA	NA	450	55
Osco	NA	NA	400	62
Thrift	371	95	387	95
Medicine Shoppe	300	47	350	50
Pay Less NW	200	91	254	100
Shoppers Drug Mart	195	35	254	43
Longs	222	100	225	98
Perry	210	100	222	100
Big B	153	100	183	100
Brooks	NA	NA	165	46
Fay's	153	100	161	100
K&B	120	82	148	100
Drug Emporium	30	25	137	100
Medicare-Glaser	85	91	89	100
Jean Coutu	85	96	102	100
Hook-SupeRx	NA	NA	100	15
Genovese	79	100	83	100
Kerr	70	100	82	100
Arbor	51	100	74	100
Big V	60	71	NA	NA
Boots	NA	NA	73	42
Harco	45	75	72	100
Snyder	55	100	57	100
Thrifty/White	22	42	51	96
Standard	45	67	46	72
Taylor	45	100	45	100
Begley	43	100	43	100
Rix Dunnington	32	76	35	85
Kent	13	18	35	49
LaVerdiere's	21	35	30	51
Supermarkets General Drug Store Division	45	69	30	94
Phar-Mor	21	95	NA	NA
Kinney	30	100	28	100
Bill's	2	8	25	100
Discount Drug Mart	22	100	24	100
Drug Fair of NJ	21	100	22	100
Duane Reade	5	19	16	53
Pay 'n Save*	73	52	NA	NA
Douglas	NA	NA	15	100
F&M	NA	NA	11	21
Pic 'n Save	7	17	NA	NA

* Pay 'n Save plans to be equipped chainwide by 5-1-88.

Source: *Drug Store News* 1988 Chain Drug Survey



Walgreen Co. to spend $160 million for expansion



"Our objective is to open 100 stores a year," says chairman Charles Walgreen, III.

DEERFIELD, Ill. — When Wall Street came crashing to earth last October, and the nation's economy shook in its aftermath, Walgreen Co. barely broke stride. Instead, its top executives battled recessionary fears head-on by drawing up plans to spend a record $160 million this year for expansion and modernization efforts, a 30 percent increase in expenditures over prior-year levels.

In January, the chain also revealed plans to remain on a fast-growth track "across America", in the words of its chairman, Charles Walgreen III. "Our objective is to open 100 stores a year for the foreseeable future, and also pursue good acquisitions—ones that fit our growth strategy and store profile," Walgreen told shareholders at the company's annual meeting.

The chain has been in high gear for more than three years, adding more than 400 new stores, cracking the New England market with its purchase of Medi Mart, boosting its strength in dozens of major markets, and growing its store base by a third, to nearly 1,400 units. It has also remodeled more than 100 stores a year to stay in retailing's front ranks.

Walgreens also continues to outpace the drug store industry in sales and profitability, ending fiscal year 1987 with $4.2 billion in sales, and net earnings of $103.5 million. A major part of that comes from its prescription business, the largest in the U.S. Rx sales at Walgreens grew nearly 30 percent last year, to $1.1 billion.

A half-billion bucks for expansion

In all, the chain has spent more than $500 million over the past five years to expand its market reach from coast to coast, boost market share around the country, modernize marketing and operations, and improve store decor, layout and merchandising.

Those expenditures have borne a lot of fruit. With the Medi Mart purchase, Walgreens was able to crack an entire new region with a strong initial market presence in Boston and elsewhere, and provide a base for future expansion. Company president Fred Canning predicted the opening of as many as 100 new stores in the Northeast in the next few years, adding: "The real problem now with that market for us is that we're shipping out of our Orlando warehouse to supply the former Medi Mart stores, and it's costing us about two percentage points in gross profits in those stores. We need a distribution center there."

In many other markets, meanwhile, the chain has boosted its presence and economies of scale with new stores and acquisitions.

"With our store growth and strong merchandising efforts, we increased penetration in 19 of our top 20 markets last year, and in 80 percent of all Walgreen markets around the country," said Walgreen. "Today, Walgreens ranks first or second in 38 of our top 56 markets."

The $160 million in capital outlays this year will go into new stores, possible acquisitions and retail technology, including the expansion of its Walgreen Information Network (WIN). The WIN program, which will link stores, offices, distribution centers, and photofinishing labs under a computerized communications and processing umbrella, will be in place chainwide by the early 1990s, according to the company. When it is, it will give store managers and headquarters merchandising and operations executives a powerful new tool for boosting profitability and speeding decision-making.

POS 'WINs' out

WIN also provides a technology and communications base for point-of-sale systems, including checkstand scanning. Walgreens has begun installing scanners in its stores in Fort Wayne, Indiana, with eventual plans for a chainwide rollout within the next four years. The goals, according to executives, will be faster checkouts, firm control of prices from the register, improved inventory control and labor savings.

"WIN's most visible application is point-of-sale scanning," Walgreen said. "Scanning was tested in Chicago this year and productivity gains were impressive."

Walgreens is also investing millions in its new Strategic Inventory Management System, or SIMS. The system is designed to reduce inventory levels at every point in the distribution of merchandise within the company through maximum efficiency in buying, distribution, display, and allocation of product in the stores.

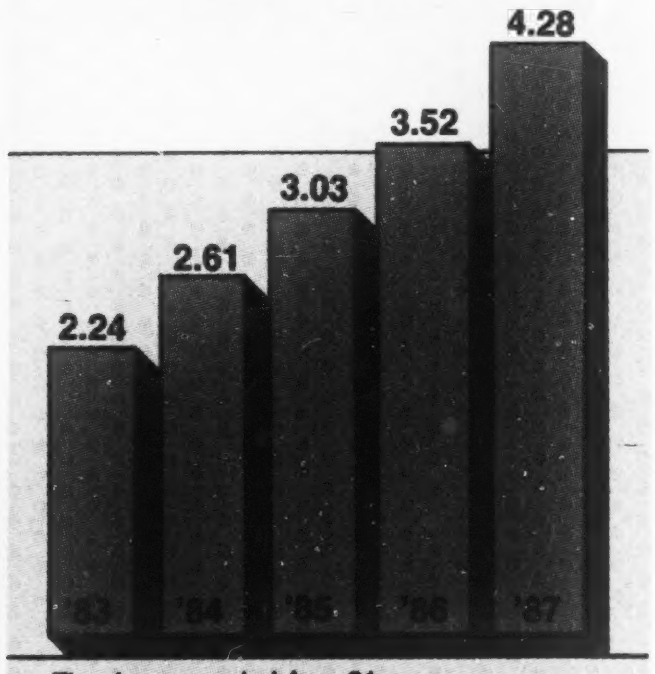
Walgreens' bold growth strategy in the face of an uncertain economy befits its position as the nation's leading drug chain. At the same time, however, the chain's decision to spend record amounts on store expansion, expensive new retail technology, and store modernization is an acknowledgement that tough times call for tough and aggressive measures.

A defensive growth posture

That is as true for Walgreens—which is committed to maintaining a leading or dominant position in many of the nation's biggest markets coast to coast—as it is for any small, beleaguered regional retailer. Walgreens' aggressive growth posture and commitment to high-tech retailing are a defense against a host of new competitive forces as well as an opportunistic move to capitalize on its own market strength and image.

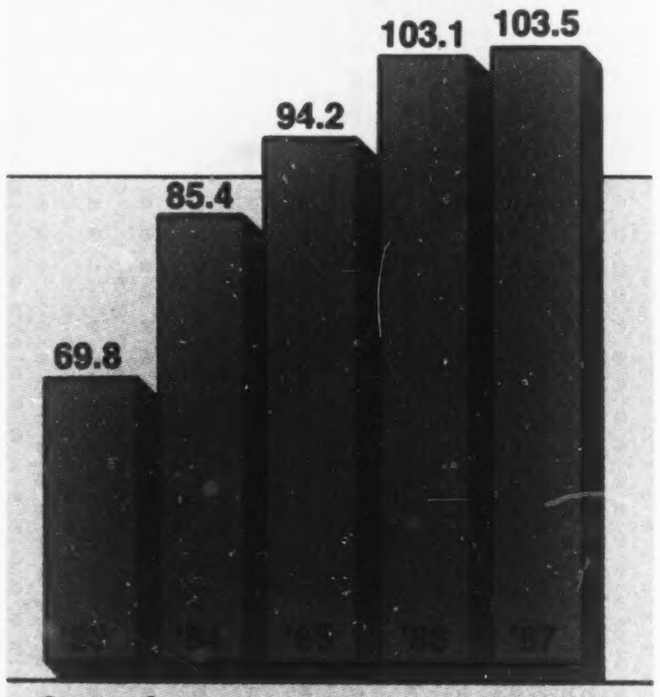
Walgreens' chairman admitted as much, predicting the $4 billion drug chain "will have the wind more in our face that at our back in the years ahead." He also downplayed the significance of a 42 percent jump in net earnings in the first quarter of fiscal 1988.

Walgreens' total sales pace industry
(in billions of dollars)



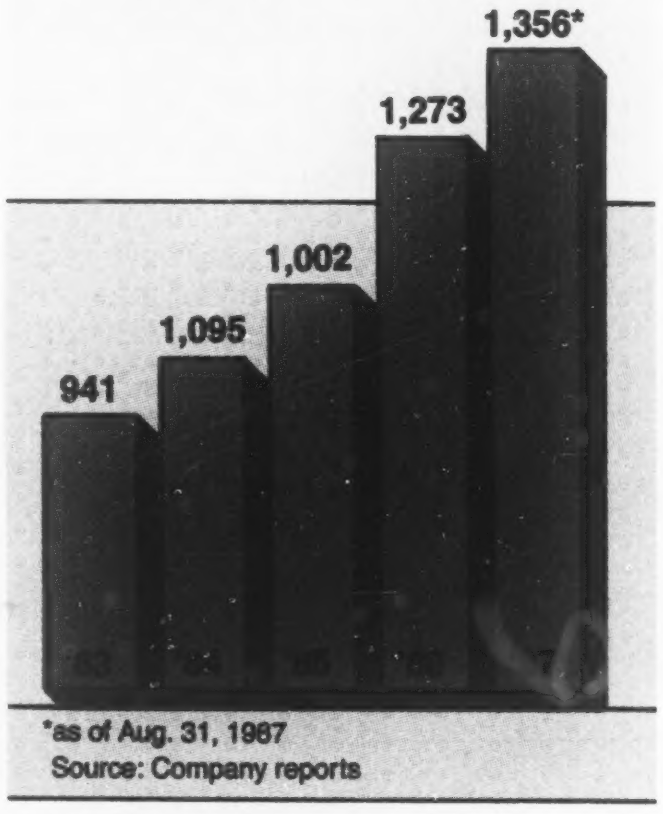
Fiscal years ended Aug. 31
Source: Company reports

Growth costs flatten earnings
(in billions of dollars)



Source: Company reports
Fiscal year ended Aug. 31, 1987

Walgreens' store count



*as of Aug. 31, 1987
Source: Company reports

"Our enthusiasm with that increase is tempered by the fact that these earnings got a big boost from lower income taxes this quarter. They also enjoyed a comparison with fiscal 1987's first quarter, which had to absorb Medi Mart startup and renovation costs, and the negative impact of the new tax law," Walgreen told shareholders in January. "We have plenty of challenges before us, including that of keeping profits up while increasing our promotional programs and sharpening our pricing strategies."

Walgreens highlights

Name: **Walgreen Co.**
Headquarters: **Deerfield, Ill.**
Officers: **Charles Walgreen III, chairman-ceo; Fred Canning, president-chief operations officer.**
Store count: **1,375.**
Prototype store size: **9,500 square feet.**
Regions: **Midwest, Southeast, Southwest, California,** and **Massachusetts.**
Sales 1987: **$4.28 billion.**
Highlights: **Opened 103 new drug stores,** and **consolidated purchase of Medi Mart** for entry into **New England market.** Launched new efforts in **retail automation to improve store operations** and **inventory** control.

PROFILES

Osco: 'Market concentration is our focus now'

Osco takes prides in individualizing its market presence for local consumers, as evidenced in this Chicago store.

RUSSIAN
and
POLISH
SPOKEN
IN OUR
PHARMACY

SALT LAKE CITY — American Stores made a dramatic bid in March to become the nation's biggest supermarket operator when it moved to acquire Lucky Stores on the West Coast. Combined sales of the two firms last year were in excess of $21 billion.

The acquisition of Lucky, which operates 92 combo stores with pharmacies, would also boost market penetration for American's Osco Drug division in key California markets as Osco took control of Lucky's drug operations. Furthermore, the Lucky takeover could create new expansion opportunities for Osco in Lucky's nearly 400 noncombo stores in West Coast markets where Osco is already making a concerted effort to boost market share, an Osco spokesman indicated.

Regardless of the outcome of that bid, however, American Stores is moving to shore up its presence in major markets through all three of its retail divisions—Osco, Alpha Beta Co., and American Superstores. The company operates 645 Osco drug stores, as well as nearly 1,600 supermarkets and combo stores.

The retail giant emerged last year from a massive decentralization effort aimed at placing greater operating control for each division in the hands of local divisional managers.

The reorganization gave each retail division its own central departments for buying, advertising, distribution, MIS and real estate functions, leaving financial, strategic planning and investor relations activities at American Stores' headquarters in Salt Lake City. Thus, each division can operate with enough autonomy to react independently and shore up profit margins.

Osco Drug highlights

Name: **Osco Drug**
Headquarters: **Oak Brook, Ill.**
Officers: **Scott Bergerson,** chairman; **Richard George,** president
Store count: **645**
Average store size: **21,376 square feet (16,684 selling)**
Markets: **Nationwide**
Fiscal 1987 sales: **$3.05 billion**
Highlights of '87: **Completed consolidation chainwide** under Osco's logo and operational systems, **shifting overall merchandise mix in favor of H&BA and pharmacy and boosting POS and pharmacy automation** capabilities. **Boosted marketing and merchandising efforts,** boosting group merchandising staff and placing all marketing functions under unified management.

The recent decentralization and other efforts in marketing and merchandising bore some fruit last year. Sales were slowly improving at Osco and American Superstores, while the latter prepares for new incursions into the key Florida market with new combo stores. But much work remains as the company moves to boost profitability at Osco and Alpha Beta.

Although American Stores' net income rose 6.8 percent in the fiscal year ended Jan. 30, the increase was "primarily a result of the lower tax rate for 1987 . . . as well as the gain on the sale of stores by Osco Drug Co. in the Pacific Northwest," according to a company spokesman. A high LIFO inventory charge, as well as fierce competition in depressed Oil Patch markets and elsewhere, cut into earnings.

In Oklahoma City, for instance, American Stores converted its six Skaggs/Alpha Beta combo stores in that market to a warehouse-store format last summer. The conversion, accompanied by markdowns on hundreds of products in the stores, gave the chain a new, low-price image in that economically troubled city, where warehouse retailing has made major inroads due to the collapse of the oil market and intensive price competition.

"On the whole, 1987 was not a stellar year for American Stores," noted Prudential-Bache retail analyst Susan Schmierer in a report in March. "Overall, operating profits were down 8.3 percent versus last year, as a result of the weakness at Osco and the long road back to profitability for Alpha Beta."

Schmierer blamed much of Osco's difficulty on "shifts in the merchandise mix . . . affecting inventories." In general, the adjustments emphasize drug store basics like H&BA over higher-ticket, non-drug items like sporting goods and appliances.

Nevertheless, those shifts, while painful in the short term, are designed to unify and strengthen Osco's powerful consumer appeal as a convenient, well-stocked drug store and pharmacy center with a strong presence in many of the nation's biggest markets. In line with those efforts, last year the chain even flirted with in-store medical testing centers in five of its Denver drug stores.

Osco's growth strategy is predicated on the same goals. That strategy led to the sale last fall of 24 Osco stores in Washington, Idaho and Oregon to Pay Less, and the swap last June of 11 northern California stores and one Colorado site for 10 Longs Drug stores in Phoenix.

The deals allowed Osco to abandon the Pacific Northwest and northern California, where its presence was marginal and costly, while gaining ground in Phoenix, where it is already the market leader with nearly 40 percent of total drug store sales, according to Metro Market Studies.

"Market concentration is our focus now," explained Osco director of advertising and sales development John Kromer. "We're building market strength where we already have a strong presence."

Osco also took major steps to boost its marketing and merchandising ability in 1987, with the appointment of Ronald Grove to the expanded position of vp-marketing. Grove, formerly vp-distribution, was given overall responsibility for three key areas—merchandising, advertising and distribution.

The change allows for closer coordination between purchasing, promotional activities, shelf allocation and planning, and inventory management for the coast-to-coast chain. In addition, Osco upped its group merchandising manager positions from three to five to increase the sophistication and responsiveness of its buying department.

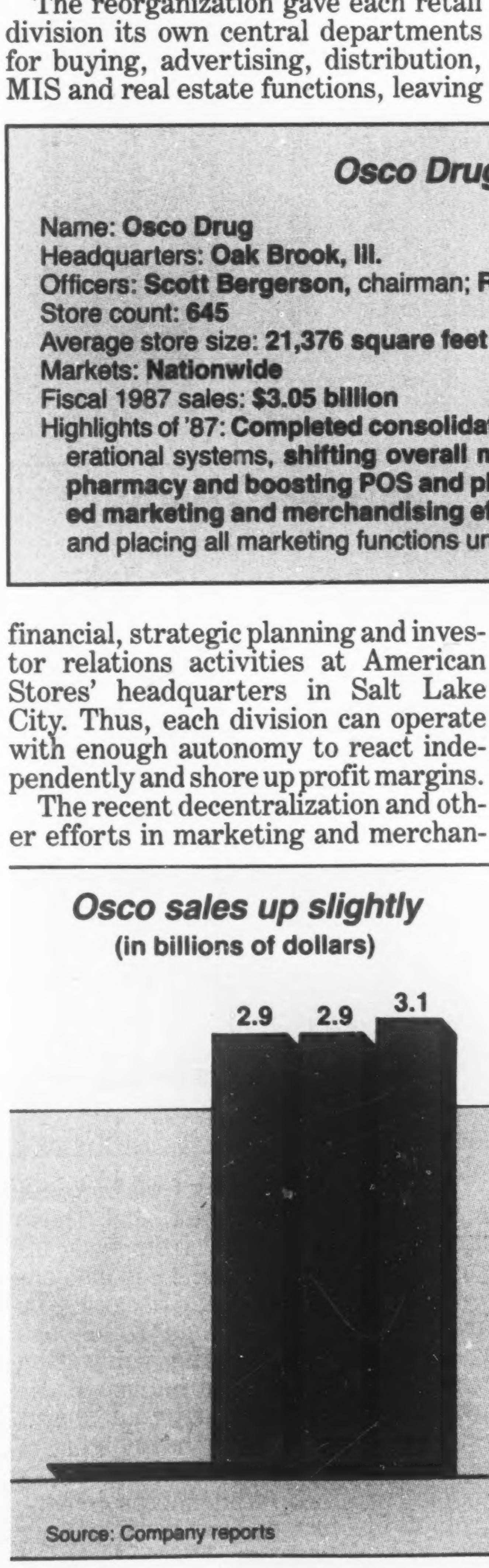
"The marketing emphasis we're making is a significant change for us," said Kromer. "All five merchandising managers are under Grove, and all marketing efforts are under one roof now."

The chain also remains committed to expanding its automation capabilities to boost inventory control and margins and improve customer service. Osco now has point-of-sale scanning registers in 125 stores, and last year extended its installation of pharmacy computers from 10 stores to 400.

Because Osco is a quiet company, its fundamental strengths are deceptive. They are real, nonetheless: Osco is the drug store sales leader in major markets like Los Angeles/Long Beach, Phoenix and Kansas City, and second in Chicago, Boston, Anaheim/Santa Ana, San Diego and Denver. Osco is also a major force in such cities as Seattle, Riverside, California, Indianapolis and Memphis.

Osco sales up slightly

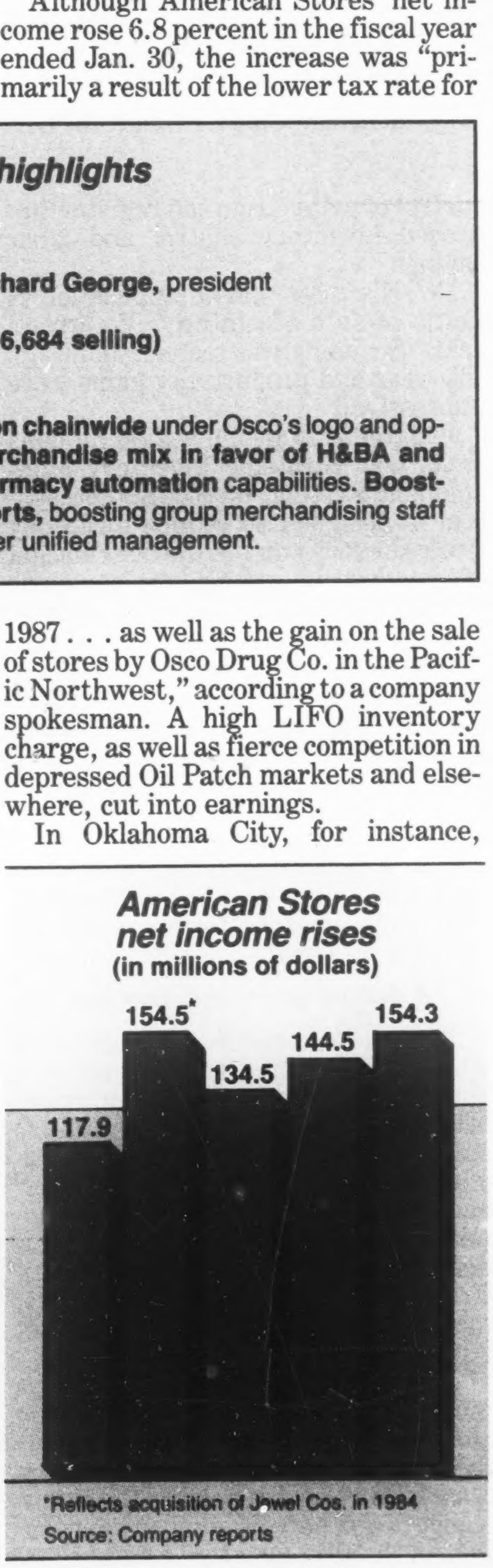
(in billions of dollars)



Source: Company reports

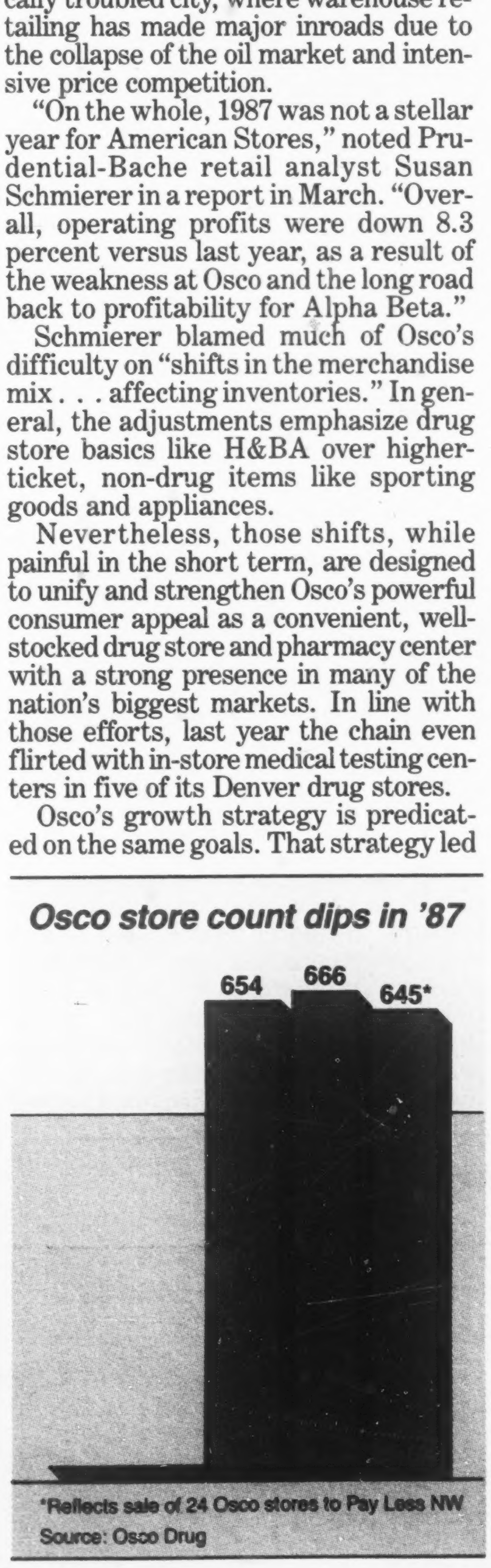
American Stores net income rises

(in millions of dollars)



*Reflects acquisition of Jewel Cos. in 1984
Source: Company reports

Osco store count dips in '87



*Reflects sale of 24 Osco stores to Pay Less NW
Source: Osco Drug

Revco buyout brings major changes to company

TWINSBURG, Ohio — Just one year ago, Revco D.S. was quite a different company. Although the 2,000-store drug chain had just emerged from a leveraged buyout as a debt-laden, private corporation, its management, organizational structure, and general operating principles remained essentially those which had guided the company for many years.

Unforeseen by veteran Revco executives, however, the buyout set the stage for the most wrenching changes in Revco's history. Those changes, including the departure of co-founder and chief executive Sid Dworkin, have fundamentally altered every facet of the retail giant, from its top and middle management team to the way it runs its stores.

The buyout was engineered by Dworkin, president Bill Edwards, and a group of heavily capitalized outside investors to take the company out of the reach of hostile raiders and turn it back into a profitable cash producer, away from the scrutiny of the shareholding public. But its cost, $1.45 billion, immediately put the firm under heavy pressure to service its debt by continuing store operations, and with the quick sale of non-drug-store assets.

The LBO had another effect, as well. It diluted the decision-making power of Revco's upper management team by opening the board of directors to representatives of the investment firms that had financed the deal, thus shifting the balance of power. Along with the pressing needs of Revco's $150 million annual debt load, the new board members themselves put pressure on the company to turn operations around quickly, reduce debt, and regain profitability.

Last year, Revco's new board lost no time asserting itself. Faced with intense pressure to reduce its debt service costs, the company launched a concerted effort to divest itself of virtually all assets other than the drug stores and the Odd-Lot closeout retail division. As part of the original LBO financing agreement, the firm also put Odd-Lot on a short leash, giving it a tight deadline in which to raise profit levels or face divestiture.

Since that time, the company has sold several of its 10 non-retail divisions and will complete all divestitures this year, ahead of the schedule imposed by its buyout agreement, according to chief financial officer Vito Cardace. Early this year, Revco also threw in the towel on Odd-Lot, and is reportedly near an agreement to sell the 153 Odd-Lot stores and distribution center to an unnamed bidder.

But the biggest changes at Revco have come within the core drug store division itself. Those changes began one year ago, with the appointment of Revco president Bill Edwards to succeed Dworkin as chief executive, the departure of veteran Revco chief financial officer R. Carroll Hudson, and the election of three new, independent directors of Revco and its new parent company, Anac Holding Corp. Dworkin remained as board chairman, relinquishing his role in day-to-day management of the giant chain.

Although characterized at the time as a "consensus" move on the part of inside managers and outside directors, the shift in top management reflected the growing involvement of Revco's new majority stockholder, D.S. Partners, as well as other outside directors on the nine-member board.

More sweeping changes were to follow, however. Last summer, Revco announced its decision to sell the 45-store Carls Drug chain in upstate New York, for which it had paid $35 million in fiscal 1986. At the same time, the chain was cutting back on previous expansion plans, targeting some 100 stores for sale and urging store managers to boost profit levels through new performance goals and bonus plans. "We are challenging people to do a better job," Edwards said at the time.

Bolstered by upgraded management information systems and enhanced point-of-sale tracking abilities, the chain put the spotlight on underperforming stores in the Southeast and other areas.

That intense performance review continues in all Revco markets, along with an ongoing expense control program. Recently, the chain announced that an unspecified number of stores will be sold by the end of this summer, either because they don't meet new performance standards or because they operate in marginal markets which the chain has decided to abandon.

Revco's cutbacks have had another effect, as well. Last fall, Rite Aid edged out Revco as the nation's biggest drug chain in terms of store count, following that chain's purchase of Gray Drug Fair and Revco's reduction in store totals to its current level of 2,010.

DISCOUNT prescriptions
REVCO
PHARMACY services

Revco D.S. is re-emphasizing its core pharmacy franchise and convenience image.

Along with intensified performance reviews and cost-cutting efforts, Revco's new board spearheaded a major overhaul of top and middle management last year. Longtime executives such as vp-MIS Scott Leeseberg and vp-marketing Neil Roth left the company, and others, including Ellis Jones, were reassigned. Jones went from divisional merchandise manager to director of purchase order systems.

Meanwhile, new posts, including vp-sales promotion and vp-inventory management, were created to enhance corporate control of marketing and merchandising. Last year's executive sweep culminated in September, with the induction of former Dayton Hudson president and chief operations officer Boake Sells as Revco's new chairman and chief executive. Capping the end of an era, 66-year-old Sid Dworkin and his son Marc, who had served as executive vp, left the company, and Edwards returned to his earlier role as president and chief operations officer.

Sadly, 1987 also marked the passing of chain drug industry veteran Henry "Hy" Gray, who spent his last 19 years at Revco as administrative vp, and later as vice chairman of the board.

Sells' appointment, meanwhile, signaled the onset of a more sophisticated, broad-based operating structure at Revco, and the completion of a sweeping management overhaul. Backed firmly by the board, the 50-year-old executive moved quickly to install his own hand-picked management team and turn the company around.

Among his picks have been Carl Bellini, former Gray Drug Fair president, as head of store and pharmacy operations; former Target Stores executives Jim Adamson, Sam Williams and Jeffrey Doshan as executive vp-marketing, director of imports and vp-general merchandise manager, respectively; former Begley Co. senior vp Orlando Segneri as eastern regional vp; and Dwayne Hoven, formerly of T.G.&Y. Stores, as senior vp-distribution, another new post.

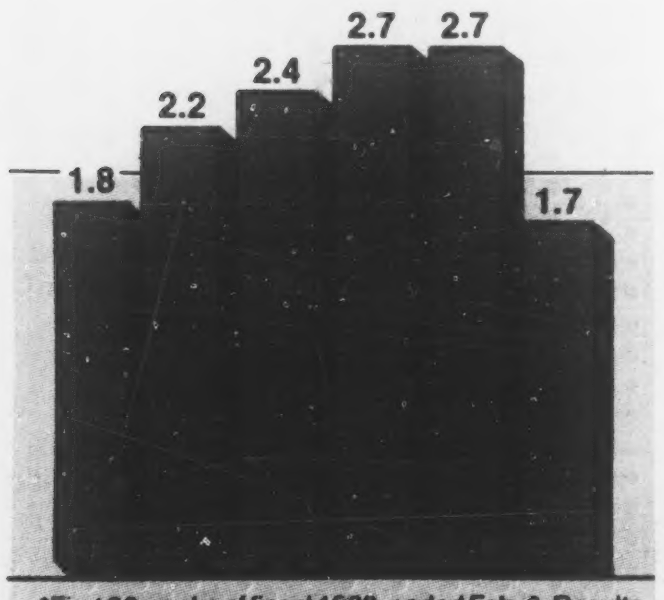
Sells, a systems-oriented executive with broad retail experience, acknowledges that Revco is a "troubled" company with much work ahead to restore the giant chain to financial health. To accomplish that goal, he said, will require improved, more responsive operating, merchandising and distribution systems, an aggressive competitive stance, simplified stores with a better layout and improved assortment, higher morale, and a reduction in paperwork at the store level, so that managers can spend more time serving customers.

Under its new ceo, Revco is also reemphasizing its core pharmacy franchise and its convenience image. To do that, said Sells, will require better in-stock positions, faster checkout, more continuity in merchandise selection, and improved customer service.

"There are going to be a lot more changes at Revco," Sells told *Drug Store News* recently. "What those changes will be is impossible to say. But I do know that we can serve the customer a whole helluva lot better."

Revco sales edge up

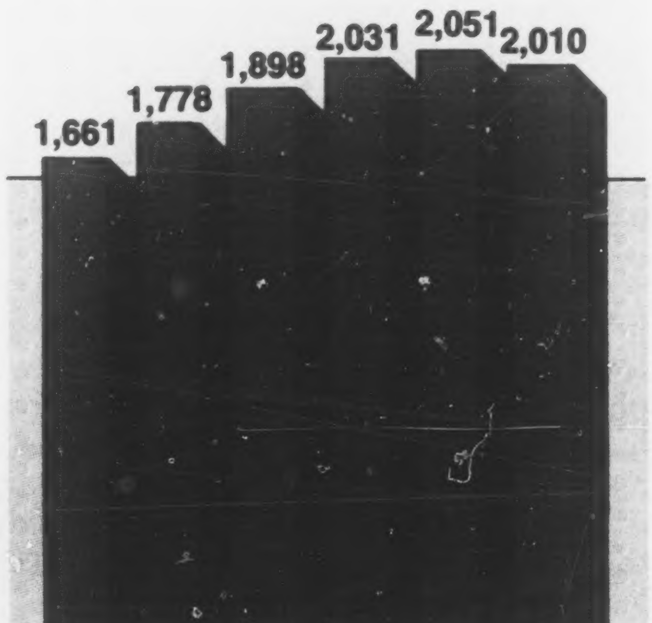
(in billions of dollars)



*First 36 weeks of fiscal 1988, ended Feb. 6. Results for fiscal 1987 include those of predecessor corporation, prior to acquisition of Revco by Anac Holding Corp.

Source: Company reports

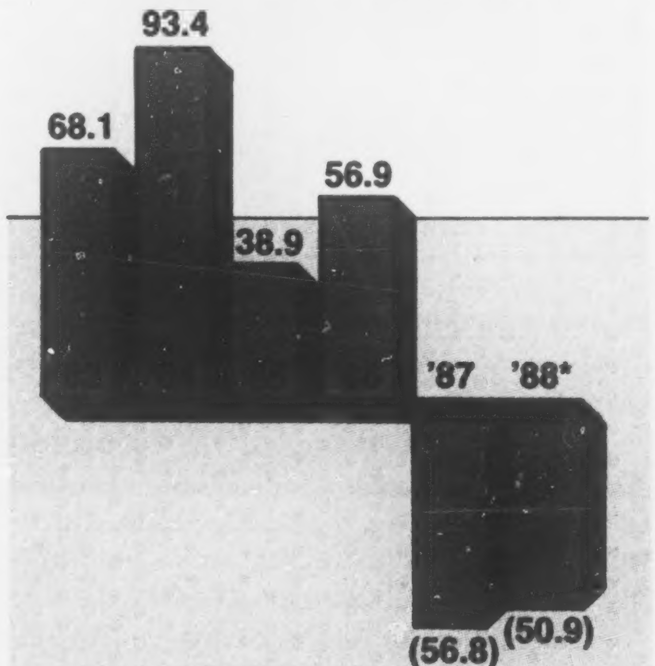
Revco store count



*As of March 18, 1988
Source: Company report

Revco still in the red

(in millions of dollars)

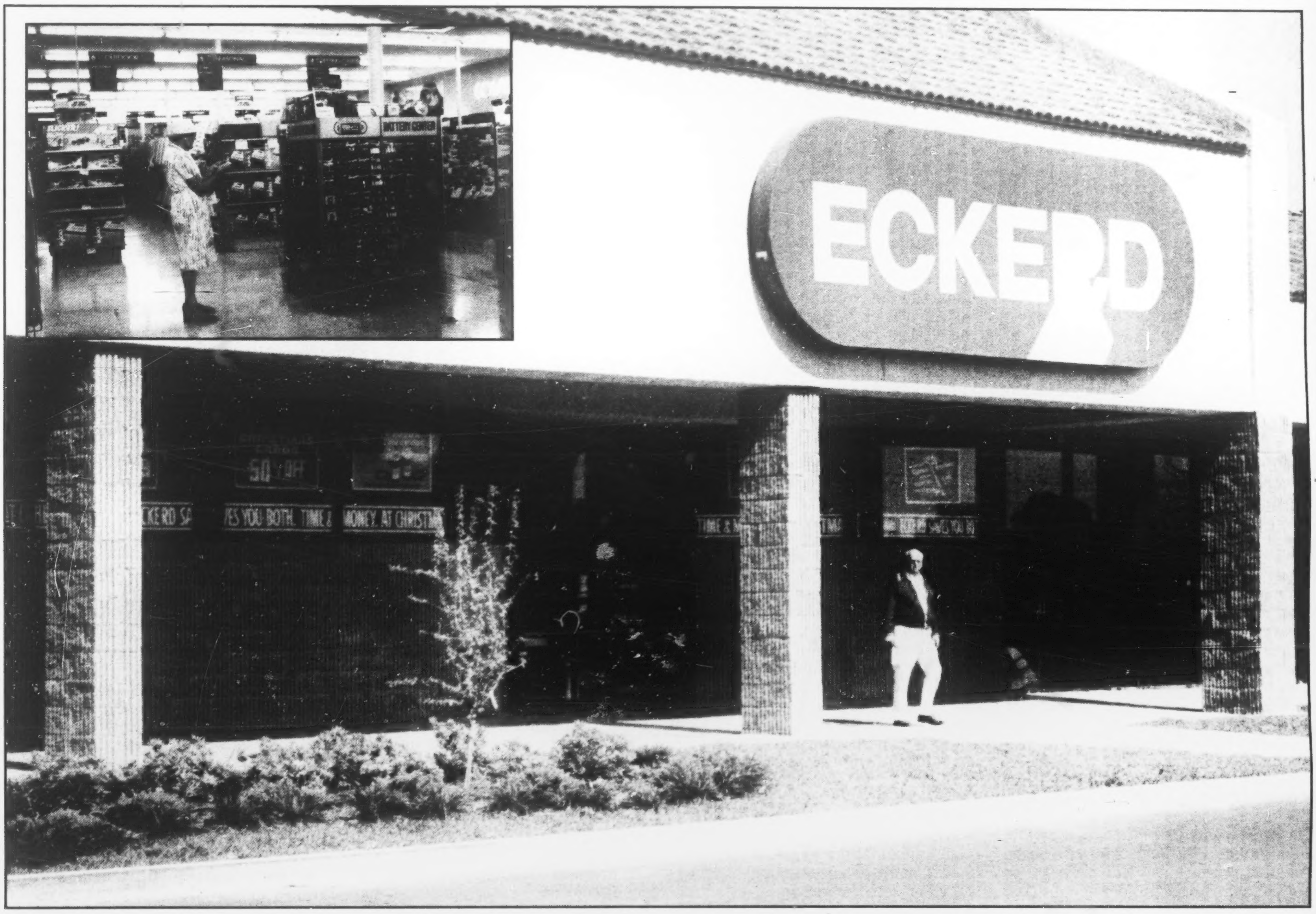


*First 36 weeks of fiscal 1988, ended Feb. 6.
Source: Company reports

Revco D.S. highlights

Name: **Revco D.S.**
Headquarters: **Twinsburg, Ohio**
Officers: **Boake Sells,** chairman-ceo; **Bill Edwards,** president-chief operations officer.
Store count: **2,010**
Average store size: **8,450 square feet**
Markets: **Southeast, Southwest, North Central, Northeast, Middle Atlantic, Midwest.**
Fiscal 1987 sales: **$2.32 billion**
Highlights: of '87: **Sid and Marc Dworkin leave company; Boake Sells assumes chairmanship and directs overhaul** of top and middle management and corporate restructuring. **Revco commences divestiture of** almost **all non-drug-store operations.**

PROFILES



Eckerd has renovationed its stores into the "Spartan" format. Inset: A spacious front area in this Tampa, Fla. "Spartan" format store offers the openness Eckerd seeks.

Eckerd buyout on track; chain sells some assets

CLEARWATER, Fla. — Eckerd Drug's leveraged buyout has sailed into its third year, buoyed by cash flow from a smaller fleet of drug stores.

The company reported that retail sales were generating the necessary cash to cover interest expenses, and produce working capital. It was expected to report 12-month sales of $2.75 billion for the fiscal year ended Jan. 31.

Eckerd reported to the SEC that nine-month sales for the period ended Oct. 31 were $1.93 billion. It didn't provide a comparison with the year-earlier period, because last year the company had rescheduled its fiscal year, making comparisons difficult.

Its last annual report was for the nine months ended Jan. 31, 1987. Sales for those months were $1.91 billion It said third quarter sales ended Oct. 31, 1987 were $626 million, up 13.2 percent from the comparable year-earlier period, with same-store sales up 11 percent.

With its LBO two-years-old this April 30, Eckerd has essentially followed a program of relying on its retail sales to pay the way. Asset sales have been limited, and it's still a player in most of the markets it occupied as a public company.

Its net store count declined 2 percent as it ended the year with 1581 units, compared to the 1611 stores it had Jan. 1987. An Eckerd spokesman said new store openings for fiscal 1987 were in line with the 40 to 50 new stores the chain has said it wants to open annually. Therefore, the depletion came from closed and sold units.

Among Eckerd stores unloaded were 19 in Virginia and West Virginia to Hook-SupeRx Inc. The sale eliminated West Virginia as a market, leaving Eckerd with stores in 14 states.

Other sales included 15 stores in various small Alabama markets to Big B, five to Revco in the Brownsville area of Texas, and 11 in Tulsa, Okla. to May's Drug.

As part of the redeployment of assets, it bought seven Birmingham, Ala. units from Revco, and purchased 28 Safeway pharmacies in Texas. Though Eckerd had shopped 31 stores in its three most northern states of New Jersey, Delaware, and Maryland, it said it dropped the sale attempt after failing to receive an adequate offer.

Eckerd decided last May to exit from the home health care store business, and sold its six Med-Care home health care centers in Tampa, Clearwater, and St. Petersburg, Fla. to Markka Health Care Centers of Atlanta. Eckerd said the high-inventory, slow-return business didn't support cash flow needs.

The chain also said it will close its 228,000-square-foot Hammond, La. distribution center by July, leaving it with six DCs. It said DCs in Atlanta, Houston, and Dallas will service the 165 Eckerd drug stores in the Louisiana district, in a move that will create economies by consolidating inventory, and making distribution more efficient.

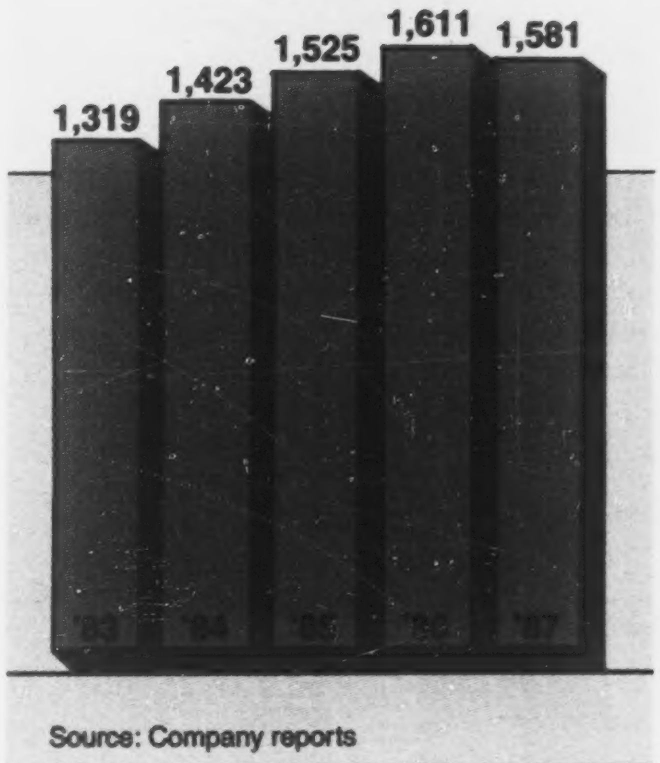
The decision to close was also influenced by the area's slumping economy, and the fact that the DC carried more space than the chain was likely to need, a spokesman said.

Eckerd continued its rollout of the "Spartan" format, which features a more open layout, upgraded decor, and a revamped merchandise mix aimed at the convenience shopper. By fiscal year's end, a total of 270 units had been remodeled. Sixty more were slated for reformatting in 1988.

Eckerd's aggressive use of television and radio continued, as did a strong promotional agenda for conveying the convenience and health care picture. It also began selling lottery tickets in its 500 Florida stores after a statewide lottery was approved.

Typical of its promotional programs on health care, it began promoting an organ donor program in stores, and launched an arthritis care program.

Eckerd drug units slip 2 percent
(number of stores)



Source: Company reports

Eckerd highlights

Name: **Jack Eckerd Corp.**
Headquarters: **Clearwater, Fla.**
Chairman and president: **Stewart Turley**
President, Eckerd Drug Co.: **Harry Lambert.**
Sales: **$2.75 billion.**
Stores: **1,581** drug stores, **nine** Visionworks optical super stores.
Store size: **8,600 square feet to 10,000 square feet.**
Main markets: **14 states** in the **Southeast, South Central and Mid-Atlantic** regions.
Highlights: **Eckerd's leveraged buyout** allowed it to enter its third year **meeting sales and operating profit goals. It shed its home health care business** as part of an ongoing asset review.

PROFILES

Rite Aid steamrolls, via acquisitions, to the top

SHIREMANSTOWN, Pa. — Rite Aid steamrolled into the industry's No. 1 store-count position in 1987, thanks to major acquisitions, and is chugging on the same takeover track in 1988.

At press time, the nation's fastest-growing drug chain was contending to buy all Begley Co. shares for $18.5 million, and turn the company into a wholly-owned subsidiary. Begley operates 43 drug stores, 140 dry cleaning stores, six home health centers, a printing business, and a distribution center in Richmond, Ky. SupeRx, based in Phoenix, is the other bidder.

If Rite Aid acquires Begley, the chain's store count would rise to 2,113, and its drug store penetration in Kentucky would climb from 32 to 75 stores. The move would also signal Rite Aid's continued aggressive strategy of growth by acquisition, largely in existing markets where distribution efficiencies help generate profits more quickly.

Indeed, Rite Aid has earned its reputation as a savvy acquirer of underperforming stores, often with low rent structures, at sharp prices. The chain consistently turns these stores into conventional Rite Aids, and a relative handful of Drug Palace deep discount stores.

A self-service checkstand area featuring cigarettes and candy at the Camp Hill, Pa., Rite Aid.

A downtown Syracuse, N. Y. Rite Aid unit.

Under the hand of chairman Alex Grass, Rite Aid has shown its expertise as a takeover and turnaround artist repeatedly over the past year-and-a-half. Its major swoop last June included 356 Gray Drug and Drug Fair stores, bought for $115 million. That deal gave Rite Aid an overnight major Midwestern presence, and filled in Rite Aid's continuous run down the Eastern seaboard.

Moreover, the takeovers added to states where Rite Aid already operated, was familiar, and accorded buying and distribution efficiencies without significant cannibalization.

It followed by five months Rite Aid's $110 million takeover of 218 SupeRx, Gray Drug and Drug Fair stores in Maryland, Georgia, Florida and Alabama. That followed the purchase of nine Harris stores in North Carolina last fall.

Together, the deals capped a seven month period in which Rite Aid swelled its store count 45 percent.

Executive vp Martin Grass told *Drug Store News* at the time that Rite Aid "never wanted Gray Drug Fair all at once. We had a game plan to get Baltimore and Florida. If we got the rest, OK. If not, we'd live without them."

The result: After paying a bargain price of less than $500,000 per store in the $110 million pacts, an amount that barely covered inventory and fixtures, Rite Aid outdid itself by paying about $330,000 per store in the latter deal.

Martin Grass called it "a once-in-a-lifetime opportunity."

The Gray Drug Fair stores averaged 12,500-square-feet and ranged upward to 20,000-square-feet. However, Alex Grass said shortly after the deal it would take up to 30 months to convert the stores to 6,600-square-foot (selling space) Rite Aids, after subleasing or turning space back to landlords.

He added, however, that all would be performing close to Rite Aid standards by the end of 1988. Rite Aid's pretax margins are 7.8 percent compared to Gray's 1.7 percent.

Upside leverage and an uncanny knack for turning stores around won Rite Aid plaudits from most Wall Streeters and industry watchers for consummating the deal.

Grass considers the takeover field fairly wide open for Rite Aid's efforts. "Sites have become easier to acquire as more of our major competitors have limited their expansion due to their involvement with leveraged buyouts and consolidations."

Rite Aid is positioned fiscally and with ample distribution support to continue to grow rapidly this way. The chain began using its 265,000-square-foot distribution center in Winnsboro, S.C. in June, acquired a former Kroger DC in Melbourne, Fla., and has the total capacity to service up to 2,500 stores—roughly 430 more than it has now.

For the nine months ended Nov. 28, 1987, the latest fiscal period available at press time, the Rite Aid drug segment produced 43 percent sales gains from $1.2 billion to $1.7 billion, and 24 percent increases in net income from $42.1 million to $52.2 million.

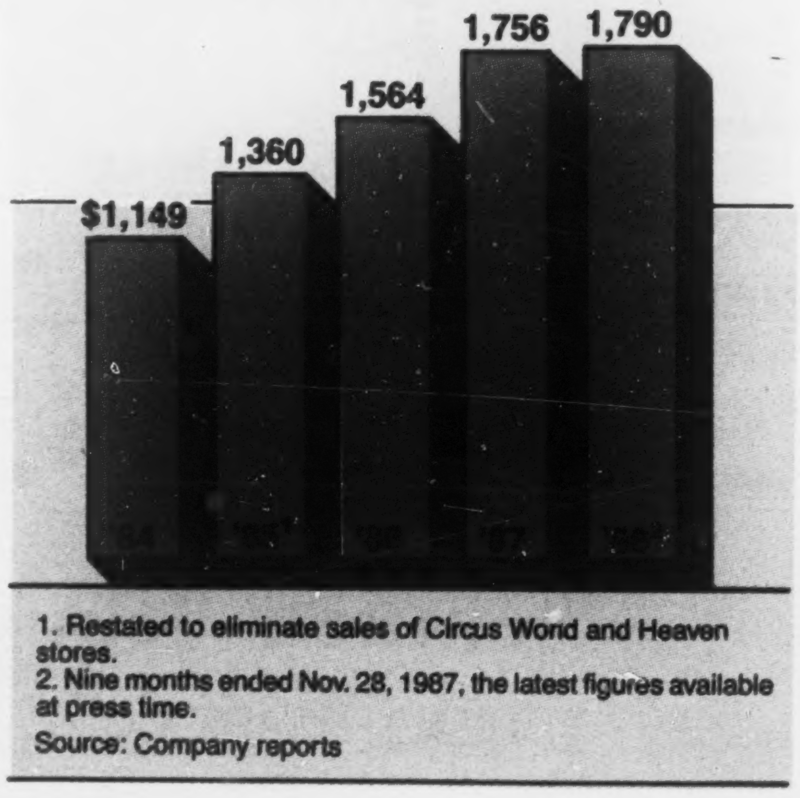
For all of Rite Aid's efficiencies, its cookie cutter approach to merchandising stores may soon undergo a shift. Former senior vp-purchasing Howard Diener left in late January to become executive vp-marketing at Peoples, a considerable rival in the Greater D.C. area and other markets.

Rather than be replaced, Diener's department has been merged with the merchandising department. Roger Grass now bears responsibility for both in his new post of vp-merchandising and purchasing. His new approach may soon become apparent.

Rite Aid highlights

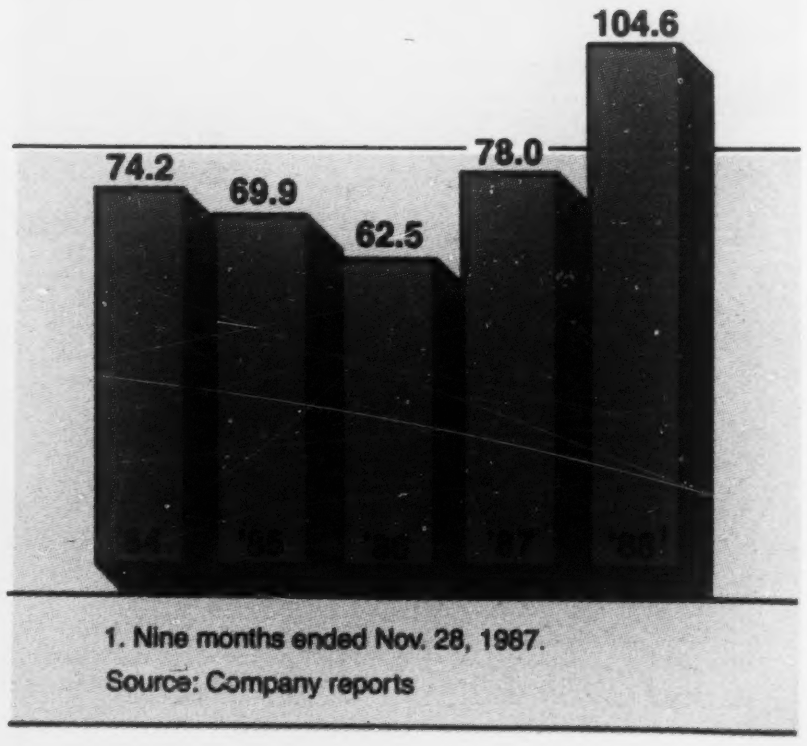
Name: Rite Aid.
Headquarters: Shiremanstown, Pa.
Chairman: Alex Grass.
Sales: 9 months, retail drug segment, **$1.7 billion.**
Store count: **2,070.**
Average store size: **6,600 square feet of selling space**
Regions: **Eastern Seaboard** (from New Hampshire to Florida), as far west as **Indiana.**
Highlights: **Acquired 356 Gray Drug and Drug Fair stores** in June, and is **currently competing for Begley.** Head purchaser **Howard Diener left to join** rival **Peoples.**

Rite Aid sales soar
(in millions of dollars)



1. Restated to eliminate sales of Circus Wond and Heaven stores.
2. Nine months ended Nov. 28, 1987, the latest figures available at press time.
Source: Company reports

Rite Aid earnings grow
(in millions of dollars)



1. Nine months ended Nov. 28, 1987.
Source: Company reports

I'm So Busy
I Haven't Got
Time To Get
Organized.

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PROFILES

Longs achieves year's goal of improved earnings

WALNUT CREEK, Calif. — Longs Drug Stores opened this past fiscal year with its sights focused sharply on profit improvement.

The result: the chain ended several years of relatively flat earnings with its best performance ever.

Net earnings for the year rose 28 percent to $49.2 million, as sales increased 8 percent to $1.77 billion.

In posting these results, Longs increased its net profit margin by a full four-tenths of a point, to 2.8 percent, an extremely potent result by industry standards. Sales per store rose to $7.74 million, the industry's best.

Longs' performance was robust all year, but in the fourth quarter, which included the Christmas selling season, the results were outstanding. Profits jumped 34 percent to $15.1 million from $11.3 million, as sales increased 6 percent to $497 million.

Longs attributed the fourth quarter gains to increases in sales and gross margins and a reduction in income taxes.

That was the simple explanation. The fact was that from the beginning of the year Longs undertook a total evaluation of every aspect of its business with an eye to improving performance in all areas.

Neon signs and mirrored entrances give glossy upscale image at Longs Pharmacy, the new downsized, downtown store in San Diego's Horton Plaza.

Indefensible markets were abandoned and weaker stores were closed or sold off. A good training program was made even better, as customer service and convenience were reaffirmed as top objectives. Cost containment became a top drawer priority. And even more attention was given to adapting the merchandise mix to particular markets and stores.

Additionally, Longs began to investigate an increase in the amount of merchandise shipped through its distribution centers as a step toward possible economies through larger-scale purchases.

Fifteen to 20 percent of Longs' merchandise is currently handled through one of its four small distribution centers, two in Southern California, one in Hayward, Calif., and one in Hawaii. Most of the merchandise handled by these centers are promotional goods, but Hayward also has some staples.

Longs appointed a five-member committee to consider expanding its distribution center activities, and that committee was due to report this year. Chain officials made it clear, however, that even if there were an increase in the percentage of goods shipped from a distribution center, the change would not detract from Longs' emphasis on decentralized store operations.

Store manager automony has been a hallmark of Longs since the company's founding 50 years ago by Joe and Tom Long.

With its focus on strengthening its hold on key markets and closing stores in weaker ones, Longs worked out a deal with Osco involving the mutual sale of stores in three states.

From Osco, Longs purchased 11 stores in Northern California and one in Colorado. In turn, the Oak Brook, Ill.-based drug chain bought 10 stores in Phoenix and five stores in Tucson from Longs.

Longs benefited from the greater penetration in its Northern California stronghold as well as from getting out of an extremely competitive market in which it had never been able to achieve a dominant position. Osco shored up its already strong position in Phoenix.

More recently Longs sold two stores in outpost markets that the chain had never developed. The two stores, one in Bend, Ore., and the other in Yuma, Ariz., went to Pay Less NW.

With all of the changes, Longs wound up the year ended Jan. 28 with 229 stores in six states: California, Hawaii, Alaska, Arizona, Nevada, and Colorado. That was a net gain of seven stores. During the year, however, Longs opened 10 new stores, right in line with its historical opening schedule of 10 to 17 stores a year. In the current fiscal year, Longs plans to launch 13 new stores, and five are already under construction.

One departure from Longs' concentration in recent years on suburban shopping center sites was the opening in late February of a store in downtown San Diego.

The new store, a replacement for Longs' first San Diego store, is a smaller unit — just 12,442 square feet. Longs' full-sized prototype stores are typically in the 26,000-square-foot range, with 17,000 devoted to sales. But the chain has recently begun to open a few smaller units, including one in Alameda, Calif. that's approximately 10,000 square feet in size.

The San Diego unit, in the Horton Plaza shopping mall, is unusual for another reason: it's the first Longs store since 1956 to open with an ice cream and soda fountain.

The chain hasn't yet decided whether the store will become a prototype for other similar small location opportunities, but it did select a name for the store to distinguish it from the chain's larger Longs Drug Stores. The unit is called Longs Pharmacy.

The name difference was also aimed at avoiding customer confusion about the availability of specials promoted in Longs' regular ROP ads and freestanding inserts. Because of tight space in the new Longs Pharmacy, especially in the backroom, Longs could not offer promoted specials there. Those specials, with hot prices and high consumability, are available only in the chain's larger Longs Drug Stores.

During the store's opening, however, indications were that customers were still confused, and store associates spent a lot of time explaining the reasons why the flyers they were carrying did not apply to Longs Pharmacy.

Longs made other moves during the year, including these:

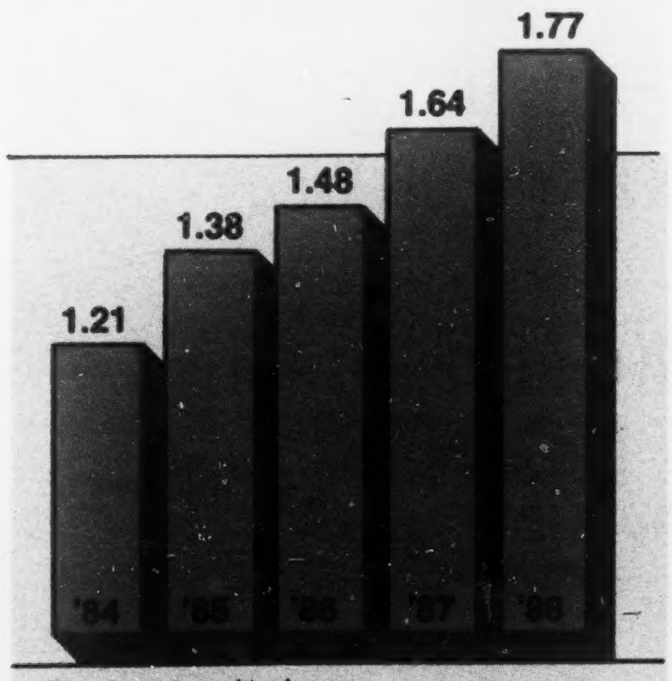
- The chain announced that it authorized the repurchase of an additional 2 million shares of stock, a move that analysts saw as both an effort to enhance the value of remaining shares and also to defend against any possible takeover attempts.

Bob Long, the president, said that the chain had concluded the repurchase of approximately 94% of the 2 million shares authorized in a previous buy-back plan.

- Longs won a contract with the Foundation Health Plan to become the administrator of the its prescription service. Foundation is a health maintenance organization with 200,000 members in 23 California counties. The HMO's members last year chalked up 770,000 prescriptions.
- Longs increased its commitment to private label, both as a profit enhancer and as a tool to build customer loyalty. The chain introduced quite a few items in OTC and H&BAs as well as in nondrug store items such as batteries, storage bags and staple food items. There are now some 250 to 300 items carried in Longs' P-L program.

Longs' sales up 8%

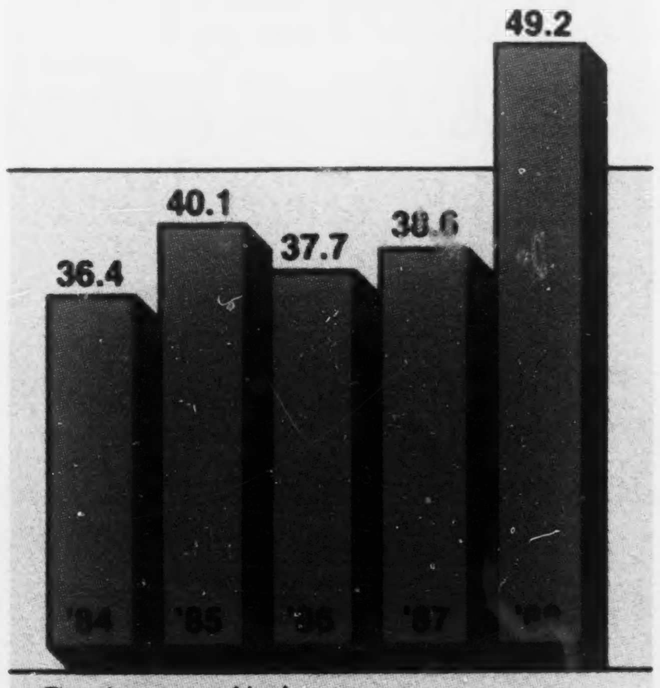
(in billions of dollars)



Fiscal years end in January
Source: Company reports

Longs' earnings jump 27%

(in millions of dollars)



Fiscal years end in January
Source: Company reports

Longs' highlights

Name: **Longs Drug Stores.**
Headquarters: **Walnut Creek, Calif.**
Fiscal '88 Sales: **$1.77 billion; $7.7 million in per store sales is industry's best for conventional drug chains.**
Net earnings: **$49.2 million,** highest ever.
Store count: **229** in six states.
Highlights: **Opened a small downtown store in San Diego,** the first since 1956 with soda fountain. **Abandoned Phoenix** after a decade of struggling for greater market share. **Celebrating its 50th anniversary** in the retail drug store business this year. **Decentralized store system** remains **unique in industry** for a major chain.

PROFILES

16
17
18
PHARMACY
COUGH & COLD CENTER
Thrifty
DRUG AND DISCOUNT STORES

Conventional Thrifty in Hollywood, Calif., sports dual general merchandise-core drug store image, with main aisle leading to pharmacy.

Thrifty strengthens position with parent's support

LOS ANGELES — Thrifty Corp. expects to continue its torrid growth pace in 1988 with strong support from its parent company Pacific Enterprises.

Currently, 50 new stores are planned for 1988, but Thrifty's parent has made it clear the chain is also looking for acquisition possibilities, that could step up this growth.

These plans continue in the same mode as 1987, when Thrifty added 20 Drug and Discount stores, and 27 Thrifty Jr. stores, bringing its total drug stores to 641. In 1988, Thrifty's new stores will be divided equally between the two formats.

During the past year, Thrifty also added to its base of sporting goods stores with 42 new stores, raising this division to 160.

The combined new store total increased Thrifty's store count 13 percent, the greatest increase in recent years. Combined, the stores produced a 23 percent earnings increase and an 18.5 percent sales gain, pushing the company to $39.5 million in net income on sales of $1.84 billion. Thrifty also managed strong same store sales growth, as stores open for more than one year realized an 8.5 percent gain.

Thrifty Corp. Highlights

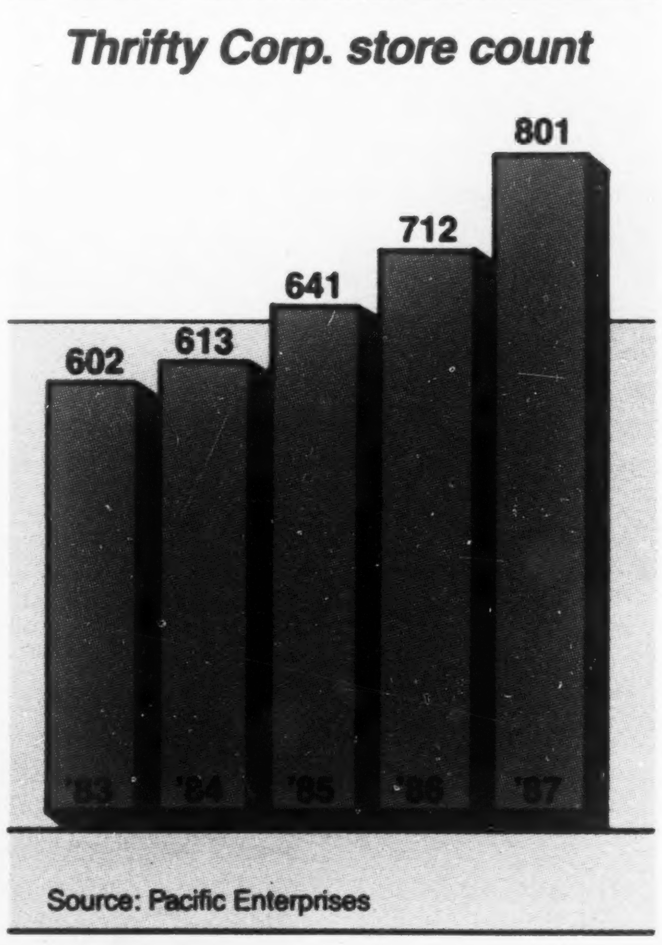
Name: **Thrifty Corp.**
Headquarters: **Los Angeles**
Chairman and ceo: **Leonard H. Straus**
President and coo: **Richard G. Eils**
Fiscal 1987 earnings: **$39.5 million**
Fiscal 1987 sales: **$1.84 billion**
Stores: **641** drug stores and **160** sporting goods stores
Average drug store size: **19,000 square feet**
Market: **Southern California**
Highlights of '87: Thrifty **sponsored its first World of Style and Beauty consumer show,** affirming its commitment to cosmetics. Thrifty **expanded its junior stores' reach,** opening four sites in Ralphs Grocery Co.'s Giant supermarkets.

Pacific Enterprises attributes much of this growth to improvements in Thrifty's operating and financial performance, and to economies of scale realized through store growth.

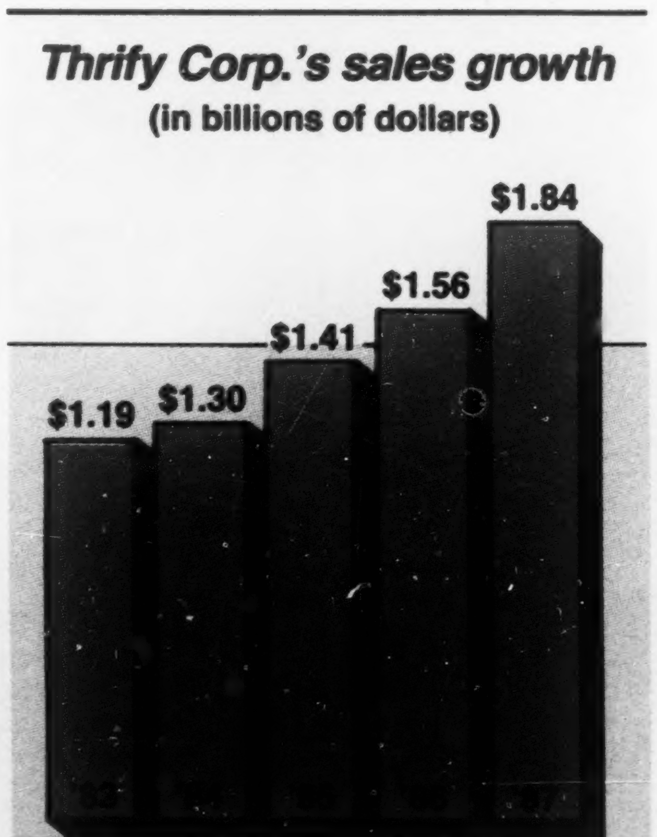
For the drug retailing sector, the parent company said in its recent annual report that improved operating performance at this level was due to several key factors:

- The upgrading of 87 percent of the stores to the "Perfecto" format, which the report said utilizes "more efficient layouts, improved lighting, and more appealing displays."
- The completion of pharmacy computerization.
- A continuation of the computerization process for Thrifty's checkout counters. The three-year installation plan is designed to "increase the accuracy of pricing, speed checkouts, improve inventory control and enhance knowledge of consumer buying patterns to allow more responsive advertising and merchandising practices," according to the report.

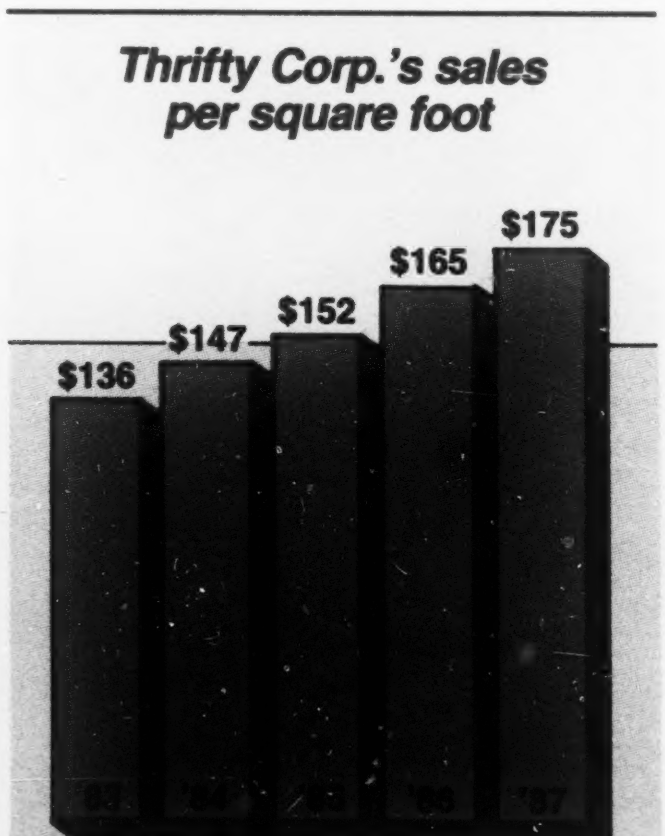
The latter point is especially pertinent for Thrifty's drug stores in Los Angeles County, as the chain agreed to pay $117,940 in civil penalties and initiate a five-year price monitoring program after charges by the District Attorney's Office that Thrifty was not ringing up advertised sale items at the right price.


Thrifty Corp. store count

Source: Pacific Enterprises


Thrify Corp.'s sales growth
(in billions of dollars)

Source: Pacific Enterprises


Thrifty Corp.'s sales per square foot

Source: Pacific Enterprises

The settlement was reached under a court injunction, but in doing so, the chain did not admit to any wrongdoing. The five-year pricing policy, whereby managers must personally verify that all merchandise is properly priced, was expected to cost $750,000, according to the chain.

Thrifty's stores which generated the complaint were the sites that still had the non-computerized registers.

However, much of last year was highlighted by positive efforts, including Thrifty's first World of Style and Beauty consumer cosmetics show. About 20,000 attended the two-day event, enabling Thrifty to further establish its commitment to cosmetics.

Thrifty also pushed its Jr. concept into new markets with the opening of four stores in Ralphs Grocery Co.'s Giant supermarkets. Although the chain is still evaluating the effectiveness of the move, the sites did provide Thrifty additional testing ground for its small scale stores.

For Thrifty's sporting goods stores division, Pacific Enterprises expects this area to "grow even faster than drug retailing, with the net number of outlets increasing at an average rate of 10 to 15 percent per year for the next few years."

It is the sporting goods division, in fact, that has already seen growth through acquisition in 1988. Thrifty recently announced it had acquired 21-store chain Dave Cook Sporting Goods, which has stores in Colorado and Wyoming.

This acquisition was in keeping with the Pacific Enterprises strategy of operating well-known regional sporting goods chains, which provide enough stores to produce economies of scale.

The parent anticipates Thrifty's drug stores and sporting goods stores to remain on predictable growth path the rest of this year, as they benefit from the current health and fitness consciousness of Americans.

Peoples' overhaul results in operating profit for year

ALEXANDRIA, Va. — Peoples Drug Stores, suffering a serious outbreak of red ink in 1986, took a stiff dose of healing medicine last year. It seems to have worked.

In the fiscal year that ended in December, Peoples said it achieved an operating profit, compared to a loss the previous year. Moreover, there are signs that the chain's recovery has only just begun. Shopper count, down as much as 4 to 5 percent during Peoples' doldrums, is now on the upswing. The average customer transaction is up 8 to 9 percent. Comparable sales in the four new "Boss" prototype stores have risen 18 percent.

The change in fortune for the 820-store chain is the result of a top-to-bottom overhaul that took place in 1987 following Peoples' plunge. The changes were orchestrated by David Bloom, chairman of Imasco Retailing Group, which includes Peoples as well as Canada's Shoppers Drug Mart, and David Eisenberg, Peoples' senior executive vp and chief operations officer. The transformation has touched every phase of business from human resources to marketing to operations to real estate.

As part of its total makeover, Peoples sold or closed underperforming units in weaker markets, including 12 in Baltimore, eight in North Carolina and 15 others in minor markets. Peoples has also sold off operations that are no longer central to its new emphasis on core drug store retailing, including its B.H. Krueger manufacturing subsidiary and its five small Smiles card and gift shops. The chain expects to sell or close 10 to 15 additional stores this year.

To offset the loss of those stores, about 30 new units will open this year, according to chain officials, but no major acquisitions are planned. The growth will occur in markets in which Peoples already is firmly entrenched.

While the influence of Shoppers Drug Mart, Peoples' Canadian sister chain under Imasco, has been felt at the Alexandria, Va.-based chain, it has not been dominant. Bloom, who is also chairman and ceo of Shoppers, said the idea never was to make Peoples an identical twin of the Canadian chain but to create synergisms between the two operations and build on the individual strengths of each.

From SDM have come strengths in cosmetics, advertising and marketing planning, according to Bloom. From Peoples has come strengths in seasonal and photo department merchandising. Both chains have strongly established franchises in pharmacy.

At the heart of Peoples' transformation is the new Boss prototype (for "The customer is boss"). Imasco has approved a heavy investment in retrofitting all of the stores, and the job is expected to be completed by 1991.

The newly remodeled stores feature a completely revised merchandise mix that focuses on the core categories of pharmacy, OTC, health & beauty aids and cosmetics. Baby care needs and photo, always a Peoples strength in its markets, have also been given prominence.

While beefing up its core drug store image, Peoples has cut back on general merchandise categories such as housewares, hardware, auto, and toys, which have been drastically pared to the top-moving products.

In one major example of de-emphasizing general merchandise, Peoples dropped running shoes, a $6 million inventory item, from its stores.

David Bloom has often said that Peoples' intention is to shed its image as a general store with a pharmacy and become a pharmacy with general merchandise. "We don't want to be all things to all people," he said.

The prototype also features a fresh department layout that places key categories in optimal locations for shopper convenience. Thus, cosmetics and toiletries have been moved to the front of the store near the entrance. A neat, uncluttered look has become standard for Peoples stores, and so have clear aisle markers for in-and-out shopping ease.

Service has also been reemphasized, especially at the pharmacy (where consultation is now being given great weight) and in the cosmetics area. Many of the newly remodeled stores will have cosmetics service bull pens.

The changes at Peoples have come partly as the reaction to a consumer study that Peoples conducted at the beginning of last year. The research found that customers put convenience at the top of their list in terms of drug store shopping priorities. The research also discovered that Peoples had a high-price image with shoppers.

To overcome this image and to meet increased competition from food and drug combo operators like Giant Foods, Peoples has cut its overall gross margin by 2 full percentage points, according to Bloom. The new price strategy also includes beefing up its promotional image in freestanding inserts, which have been given a bold new look with bright reds and hot specials featured in starbursts.

While value is one aspect of the upgraded image, another is full selection. In 1986, Peoples' selection image suffered a serious blow as the result of a severe out-of-stock problem. These were caused by massive software glitches at the chain's relatively new Fredericksburg, Va. distribution center. A lot of ordered merchandise just never found its way into the stores, and service level percentages dwindled to the low 80s. The situation in cosmetics was even worse, with service levels in the low 60s, according to Bloom.

With the distribution problems now largely solved, Peoples' service levels are back up to the 95-96 percent range, Bloom said.

In an effort to gauge its marketing performance with greater precision and timeliness, Peoples has also begun a major investment in point of sale equipment. With POS being added at a rapid rate (100 this year and 200 a year thereafter) all stores are expected to be equipped by the early 1990s.

Peoples is also trying to foster a greater degree of entrepreneurial spirit among its managers. Managers, who have been given more merchandising flexibility, have also gained new incentives to improve individual store performance. Under the new "Strive" program, managers will be able to improve their bonuses based on making and exceeding targets in controllable profits at their stores.

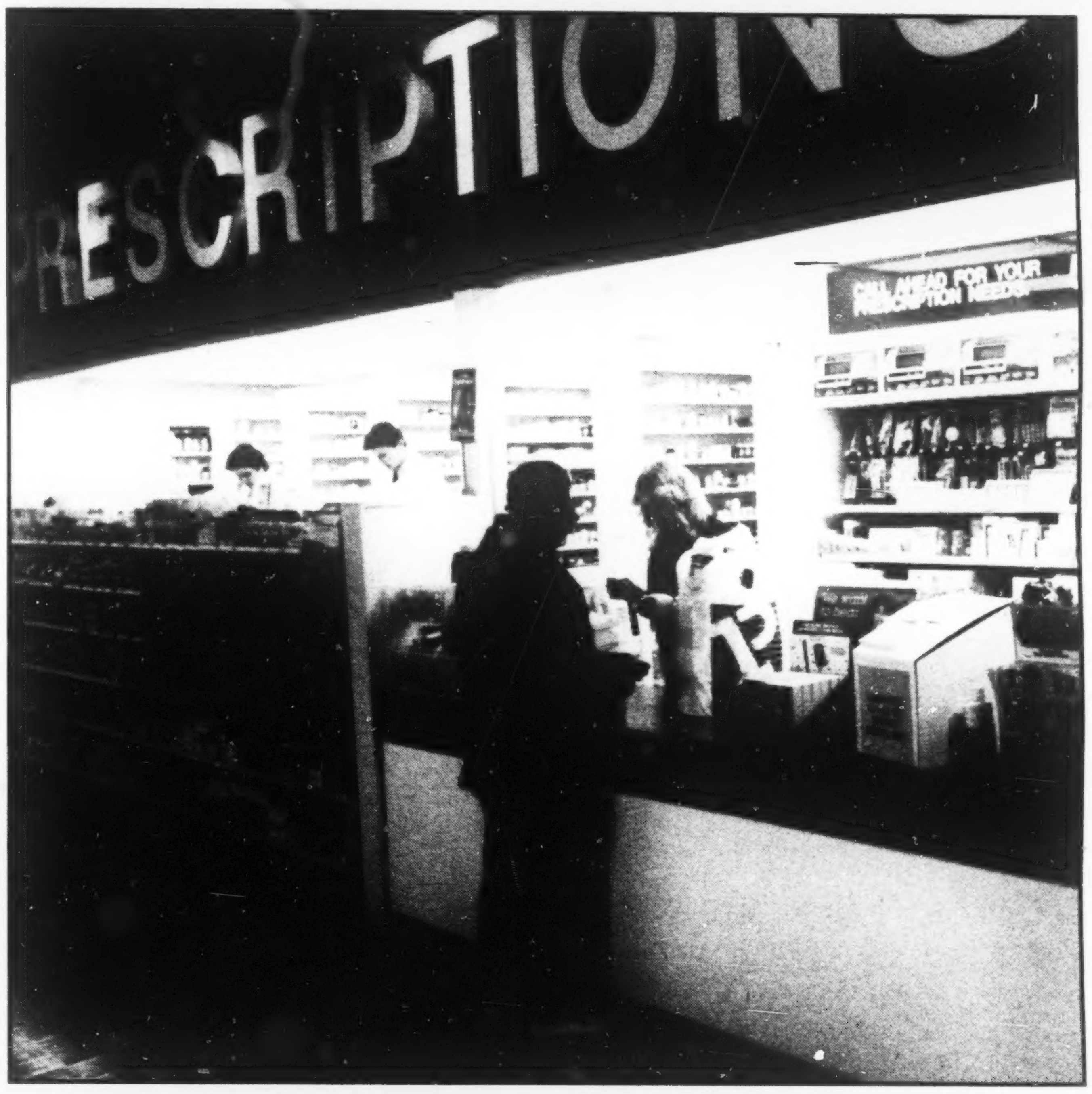
During the year, Peoples also undertook a complete reorganization of its regions. The chain's more than 800 stores in 13 states and the District of Columbia have now been placed in four regions, each headed by a regional senior vice president.

The four regions are the Midwest, including Kentucky; Pennsylvania, withtwo stores in New York; Mid-Atlantic; and the Southeast.

The aim is to consolidate all of the stores under a single logo: Peoples. Additionally, buying and other functions, which used to be carried out separately in different regions, will be consolidated. The moves will mean greater efficiency as well as more buying leverage for the chain.

The new marketing effort is being headed by Howard Diener, a veteran executive who earlier this year left his job as senior vp of purchasing at Rite Aid to join Peoples as executive vp of marketing.

Diener is just one of the executives who are part of a revamped management team under Dave Eisenberg that aims for broader participation in planning and execution of policy. Other executive vps include Richard Barker, chief financial officer; Ken Simmons, operations; David Forman, human resources; Charles Sonnenberg, information systems; and Bill Eagleson, who is also president and chief operations officer of Peoples' Buds division.



People's prescription department has a step-down arrangement that allows pharmacists to consult directly with patients.

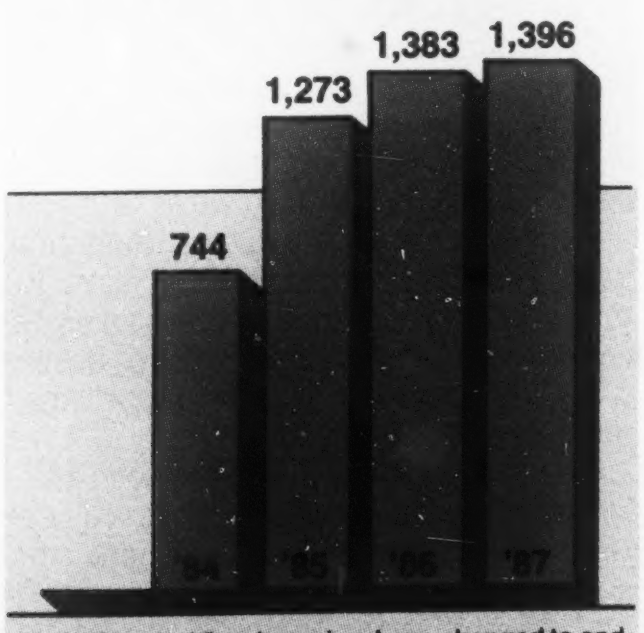
Peoples highlights

Name: **Peoples Drug Stores**
Headquarters: **Alexandria, Va.**
1987 sales: **$1.396 billion**
1987 operating profits: **$16.857 million**
Store count: **820**
Highlights: **Went from operating loss in 1986 to a profit last year.** Unveiled **new marketing strategy with emphasis on the core drug store categories** and convenience, service and value for customers.

Source: Company reports

Peoples sales up slightly

(revenues in millions)

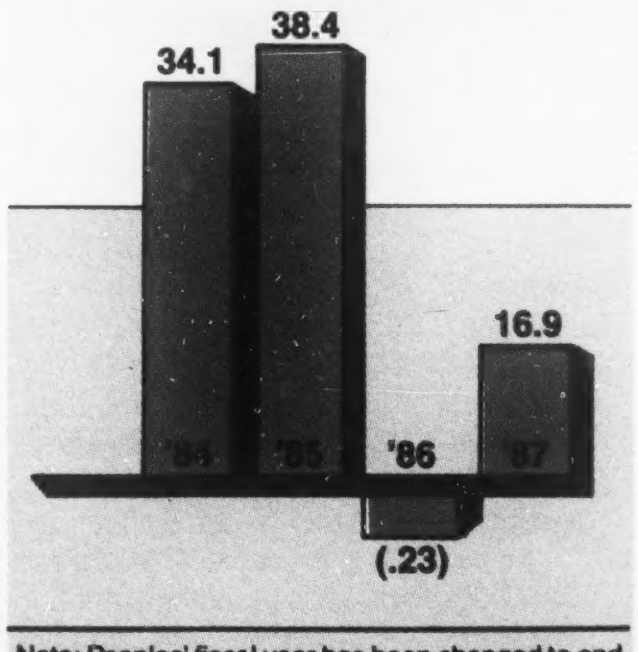


Note: Peoples' fiscal year has been changed to end on Dec. 31 rather than March 31. U.S. dollar figures shown are pro forma for 12 months ending on that date.

Source: Imasco Ltd.

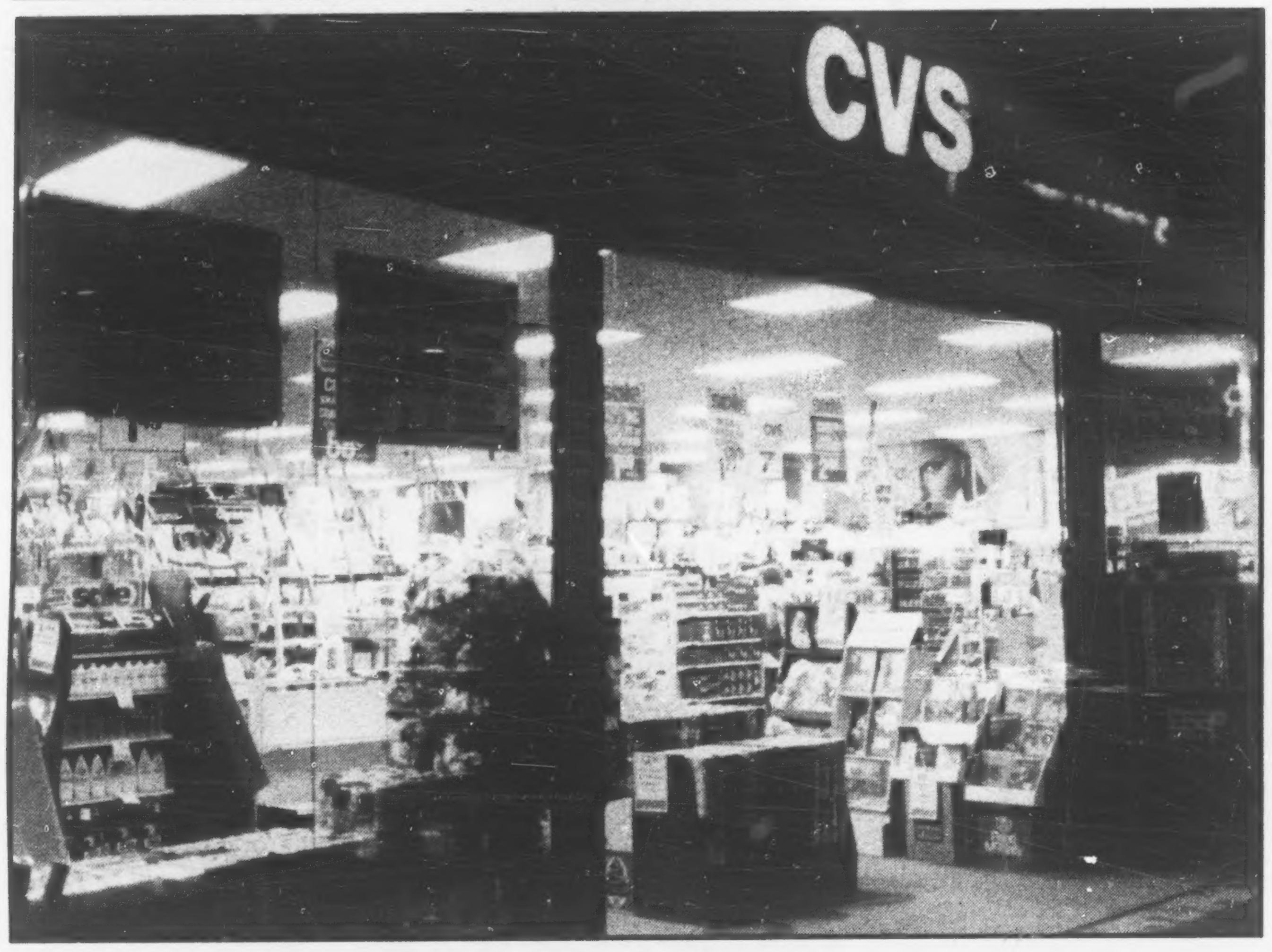
Peoples back in black

(Operating income (loss) in millions)



Note: Peoples' fiscal year has been changed to end on Dec. 31 rather than March 31. U. S. dollar figures shown are pro forma for 12 months ending on that date.

Source: Imasco Ltd.



Much of CVS' success has been built on its attention to small details important to its customers. In 1987, CVS opened 69 new stores, with 25 of those being new acquisitions.

Acquisitions, performance mark CVS' '87

WOONSOCKET, R.I. — CVS, the 700-unit chain of conventional drug stores owned by Melville Corp., had another good year in 1987.

Management reports that "earnings were good this year, even a bit better than last year." CVS's parent, Melville Corp., only releases combined earnings for its two drug store divisions. The division, which also includes Freddy's deep discount drug stores, had posted a 13 percent increase on operating earnings to $99.8 million for 1987.

CVS's sales were up 18 percent while the chain's store count grew by 11 percent.

In the Northeast, CVS swept up 25 stores in a major acquisition, which included 11 deep discount stores from Supermarkets General.

All 25 stores, including the 18,000-square-foot deep discounters, were converted to the CVS format. Of these stores, 22 are in Massachusetts where CVS already had a dominant presence with 169 stores, and the remaining 24 are in New Hampshire.

Melville's chief financial officer, Robert Huth, said the acquisition would enable CVS to strengthen its position in these two markets. Many of the acquired stores had key strip center locations in areas that did not overlap with existing CVS stores, Huth said.

Sources estimate that the acquired stores also added about $90 million to CVS's total sales.

Out in California, where CVS has had an outpost of stores for the past 10 years, the chain opened another nine units for a total of 49 in that market.

CVS also opened a 200,000-square-foot warehouse 50 miles east of Los Angeles to service these stores. Management says the warehouse can support between 125 and 150 stores, and added that CVS expects to be at that level "within five years."

Before the new warehouse opened, CVS had been servicing these stores from its East Coast distribution centers.

CVS management says the deliveries to the stores will not change dramatically, now that the new warehouse has opened. "We'll still service these stores once a week as we did before. What's changed is that we traded off hauling expenses for the expense of warehousing in California," a manager said.

In 1988, management says there probably will not be any other major acquisitions. Right now, CVS is budgeted to open between 55 and 60 stores, which is about the same number they opened in 1986.

Last year, with the acquisition, they opened a total of 69 new stores.

CVS is also planning to open another warehouse in New Jersey, either in late '88 or early '89. The new facility will be 400,000 square feet, and will service about 200 stores within a 100 to 150 mile radius.

Management says CVS doesn't plan any technological advancements for its new warehouse. Their warehouse procedures are rated 'state of the art' by most companies in the industry, and many chains say that CVS has the best shelf ordering system in the business.

Although CVS did not plan any dramatic changes in merchandising in 1987, the chain did expand its hair spray department, giving it more space and more facings. Minor decor changes were made to pharmacy to make the department "more pleasing to the eye of the customer."

CVS also designed a new fixture for private label hosiery, because as one source put it, "the old one didn't flow right. It made it hard for the customer to shop. This new fixture makes it easier."

These may not seem like very significant changes to some readers. But in CVS's case, it is not the changes *per se* that make the story, but CVS's conscientious approach to those changes.

Much of CVS's success has been built on its scrupulous attention to the small details that matter to customers. From store level on up through their management hierarchy, CVS pays attention to service.

Asked to describe the key to such success, when the obvious changes are so uneventful, one executive said CVS's success comes "from simply paying attention to our business. We try to identify what our customers want, and then put it in an environment that is pleasing to shop," he said.

This source says that in most markets, CVS has not found that it makes much of a difference if its stores are competing with combination stores, with deep discount drug stores or mass merchandise stores.

"Everyone who opens a store takes some business," he said, "but we seem to hold up pretty well. In our mall stores, we get the benefit of the traffic, and in our neighborhood stores, it's convenience and service.

"We pay attention to the details of our business, and that's what I think makes us so successful."

Scanner systems tested for stores

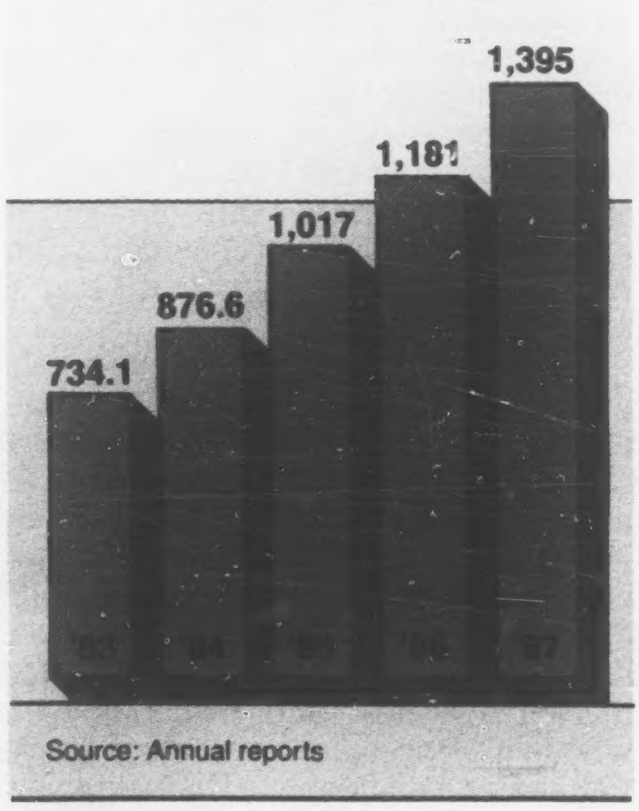
CVS is currently bench testing some scanner systems, and will probably have a "limited" in-store scanning test underway later in 1988, a company source said.

The test will mainly determine if CVS can realize any major savings by adding scanning registers to its 698 stores.

The company already gets product movement reports from its warehouses on a monthly basis and could have them weekly if they liked, so the test will have to determine if scanning can give CVS any substantial benefits beyond what the warehouses can now do.

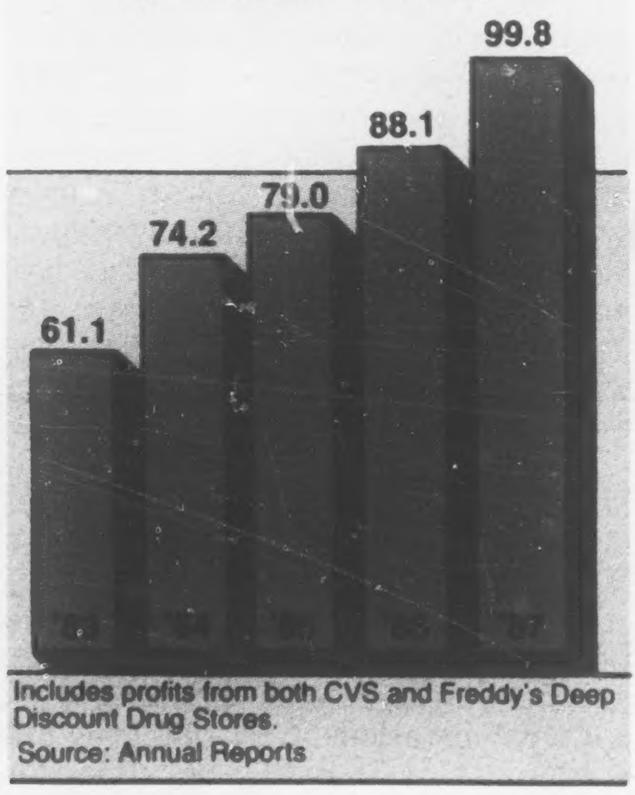
Scanning would let CVS generate regular movement reports on approximately 15 percent of the products that do not go through the warehouse, but that information by itself might not be worth the cost of a chain-wide investment in scanning.

CVS five-year sales trend
(in millions of dollars)



Source: Annual reports

CVS five-year operating income
(in millions of dollars)



Includes profits from both CVS and Freddy's Deep Discount Drug Stores.
Source: Annual Reports

CVS highlights

Name: **Consumer Value Stores (CVS)**
Headquarters: **Woonsocket, R.I.**
Parent: **Melville Corp.**
Officers: **Stanley Goldstein, president Melville Corp.; Harvey Rosenthal, president CVS.**
Sales 1987: **$1.394 billion.**
Store Count: **698.**
Average store size: **7,000 square feet.**
Regions: **14 Northeastern states and Calif.**
Highlights: **Fiscal Year Sales Increased 18 percent. Opened a 200,000-square-foot warehouse** in **Rancho Cucamonga**, Calif.; and acquired 25 stores in **Massachusetts** and **New Hampshire from Supermarkets General.**

Pay Less reworks mix, keeps growth steady

WILSONVILLE, Ore. — Pay Less NW is placing greater emphasis on its core drug store products this year, while continuing to keep an aggressive growth pace on the West Coast.

Recently, the 260-store chain disclosed it will no longer carry grocery items in order to allow room for traditional drug store products and seasonal merchandise. While Pay Less will still carry snacks, the chain will cease carrying canned food, cereals, and boxed goods like cake mixes.

Pay Less has already stopped purchasing grocery items from vendors, but the food products will continue to appear in the stores until summer, when the chain's warehouse supply is depleted.

The move allows Pay Less to devote additional space to categories like greeting cards and stationery, while freeing up endcaps for promotional products. The chain also expects its margins will improve, and it can now skirt head-to-head grocery competition with supermarkets.

In recent months, Pay Less has been reassessing much of its merchandise mix. Changes have already taken place in domestics, sporting goods, and toys. Many of these changes were customer-generated, so Pay Less is also looking to become more flexible on a market-by-market basis.

While these product changes are taking place, Pay Less will also direct its efforts to the pharmacy business, which the company anticipates will continue to broaden its customer base. To gain this strength, the company is relying on its pharmacists to give personal service and counseling to its customers, and this emphasis is a point the chain wants to establish store-wide.

Payless Drug
Pay Less NW opened 47 new stores in '87, and expects to open over 30 more this year.

To better service its customers in general merchandise, Pay Less is considering the addition of more apparel departments in stores that provide enough room for the category. Currently, the chain has a 25,000-square-foot and a 31,000-square-foot prototype, and apparel is usually only included in the larger of the two sites, according to executive vice president Tim McAlear.

It has been with parent company K mart's help that Pay Less has been able to successfully delve into the soft goods category.

K mart has also helped the drug chain rapidly grow. At last year's annual shareholders' meeting, since-retired chairman Bernard Fauber said Pay Less would double in size by 1991. Since this time, Pay Less has added both new stores and acquired stores that it picked up from Osco and Longs.

Last year alone, the chain added 47 stores and according to McAlear, Pay Less should add at least another 30 this year. He said further acquisitions are not out of the question and "most people know we are always looking," but he said there are no current purchase plans for any stores.

While the Osco and Longs acquisitions added stores primarily in the Pacific Northwest, Pay Less' new stores are predominantly in Southern California. Regardless of the market, Pay Less typically sticks to outlying suburban areas, staying away from the competitiveness, higher advertising rates and space constraints of inner metropolitan markets.

Pay Less NW highlights

Name: **Pay Less NW.**
Headquarters: **Wilsonville, Ore.**
Parent: **K mart.**
Chairman: **Ed Hart.**
President: **Ron Schiff.**
Executive vp: **Tim McAlear.**
Sales 1987: **$1.2 billion.***
Operating profit 1987: **$65 million.***
Store count: **260.**
Average Store sizes: **25,000 square feet to 31,000 square feet.**
Region: **West Coast.**
Highlights of 1987: **Parent K mart vows Pay Less will double in size by 1991.** Pay Less **acquires 24 sites from Osco** drug stores **and two Longs locations.**

*Estimate by Shearson Lehman Hutton

Shoppers Drug Mart expands as sales improve

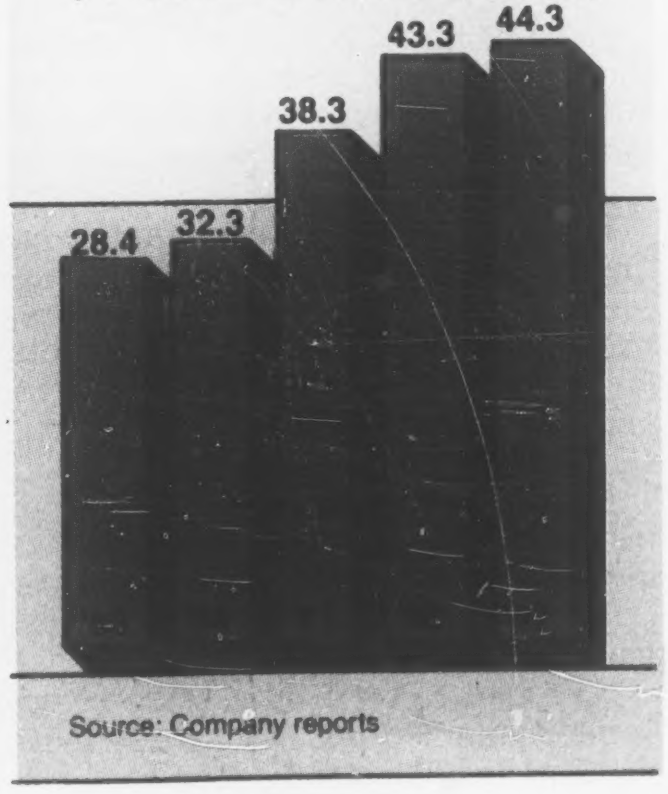
TORONTO — Shoppers Drug Mart, Canada's largest drug chain, used 1987 to consolidate.

Sales for Shoppers were up 17 percent to $1.6 billion in Canadian dollars, while operating income was up to $44.3 million.

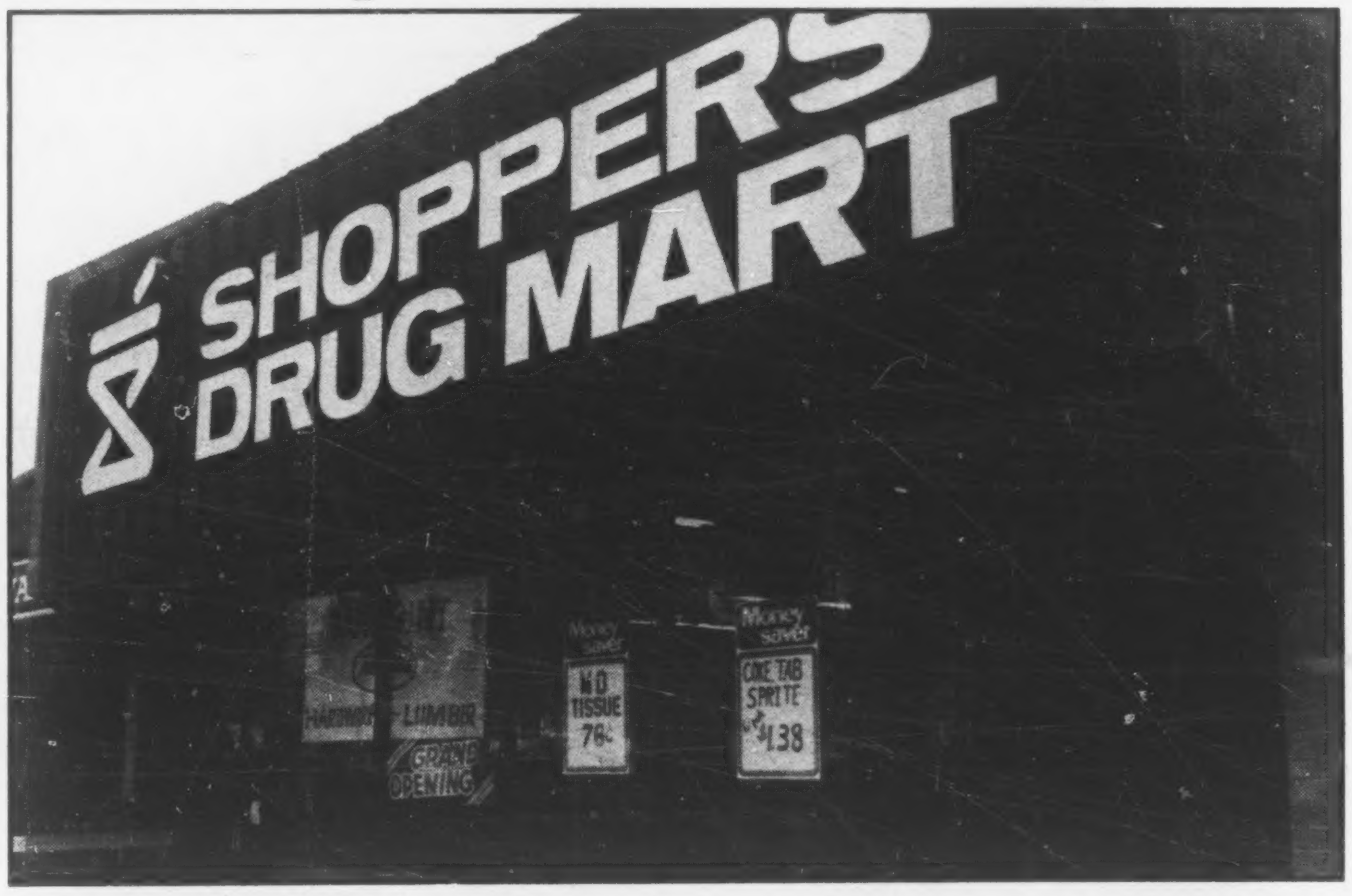
Sales this year would have been over $2 billion, but Shoppers has just changed its reporting year, switching from a fiscal year ending March 31 to a calendar year ending Dec. 31. Its 1987 year end sales, therefore, are for a nine-month period, rather than a 12-month period. The sales increases, however, are based on a year to year period measurement.

Shoppers stores are now averaging $700 per square foot compared to the North America industry average for chain drug stores of $250 per square foot.

Shoppers Drug Mart operating earnings
(in millions of Canadian dollars)



Source: Company reports



Shoppers Drug Mart has a 31 percent share of the Canadian drug store market.

Shoppers currently has a 31 percent share of all drug store sales in Canada, which means that one out of every three consumers is a Shoppers customer.

Expansion rate steady

SDM acquired 41 new franchisees and opened two new Howie's discount drug stores in 1987. Management says they will probably continue to expand in 1988 at the same rate.

In 1987, management also began converting the Ontario-based Super X stores, which Shoppers acquired in 1986 and had been operating under the Super X name, into Shoppers stores.

Their vp-public affairs, Arthur Konviser, says that in one case sales volume in a converted store "increased four times over its original base." He said volume in three other converted stores was also "up significantly."

Konviser said Shoppers will begin converting the other 71 Super X's this year. He said the conversions will be completed "as quickly as possible."

Food departments added

Shoppers also plans to continue to add convenience food departments called "Food Baskets" as well as "Home Health Care" departments to new stores wherever market conditions are "right" for such services.

In 1987, Shoppers opened six more stores with Food Baskets for a total of 16 combination food/drug stores, and opened two more stores with Home Health Care departments.

Konviser says both concepts have proven to be "very successful" for Shoppers.

"If we're in a mall with a food store tenant, and the food store closes, we might move to a bigger location and reopen the store with a Food Basket," said Bill Pacey, Shopper's vp-corporate store planning.

Shoppers is also expanding its Howie's discount drug stores, and now has 11 open, an increase of one store over last year.

However, they plan to convert the seven unit chain of Carneval discount drug stores in Quebec to Pharmaprix stores. The 51 Pharmaprix stores follow the same format as a Shoppers Drug Store, only the name is French—a cultural concession for a French-speaking Quebec.

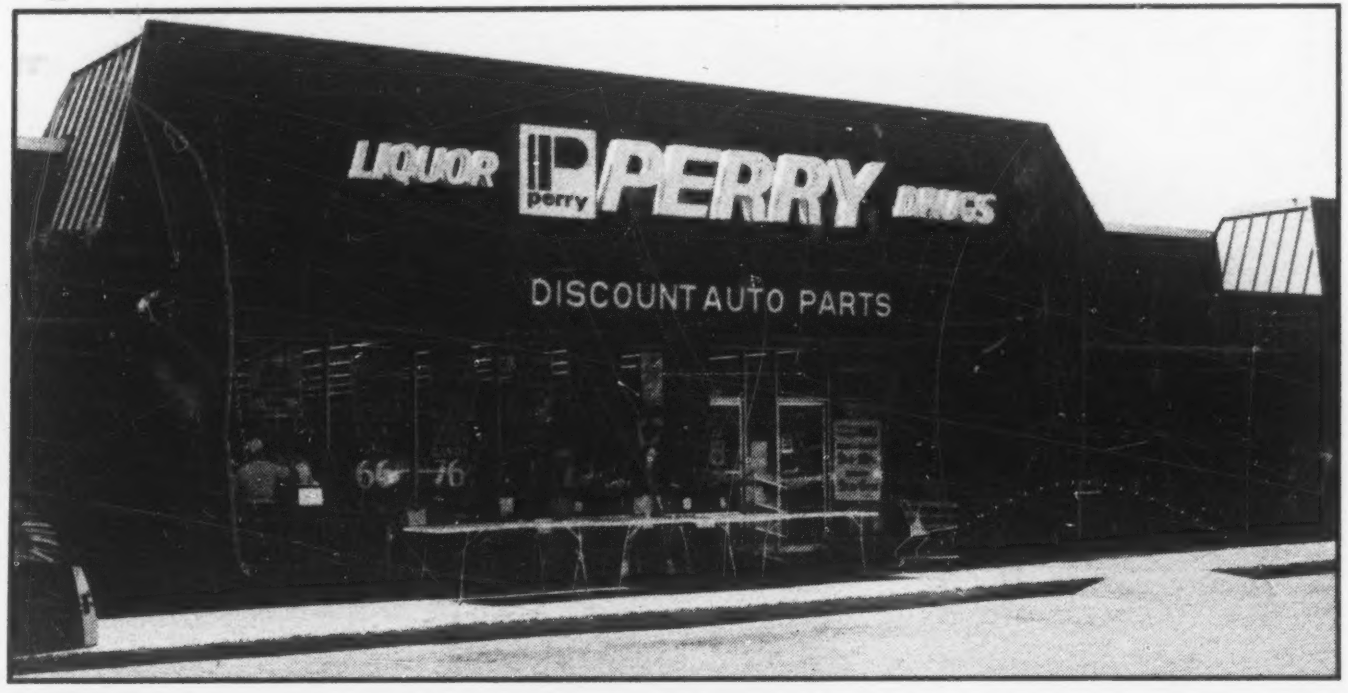
A Shoppers source said that the main reason for converting Carneval to Pharmaprix is because it will simply be "easier" for the management team in Quebec to concentrate on one chain, rather than two.

Shoppers Drug Mart highlights

Name: **Shoppers Drug Mart.**
Headquarters: **Willowdale, Ontario.**
Parent: **Imasco Corp.**
Chairman: **David R. Bloom.**
Sales 1987: **$1.6 billion in Canadian dollars,** based on a nine-month year.
Store count: **421 Shoppers, 51 Pharmaprix, 11 Howie's, and 71 Super X drug stores.**
Average Store Size: **10,000 square feet.**
Markets: **14 regions in Western and Northern Canada.**
Highlights: **Increased sales 17 percent. Opened 41 new franchised stores** and began **converting their Super X stores to the Shoppers prototype. Sales** in some **converted** stores have **increased "four fold."** Created **a new generation prototype for all new and retrofitted stores.**

PROFILES

Perry lightens up on the road to recovery



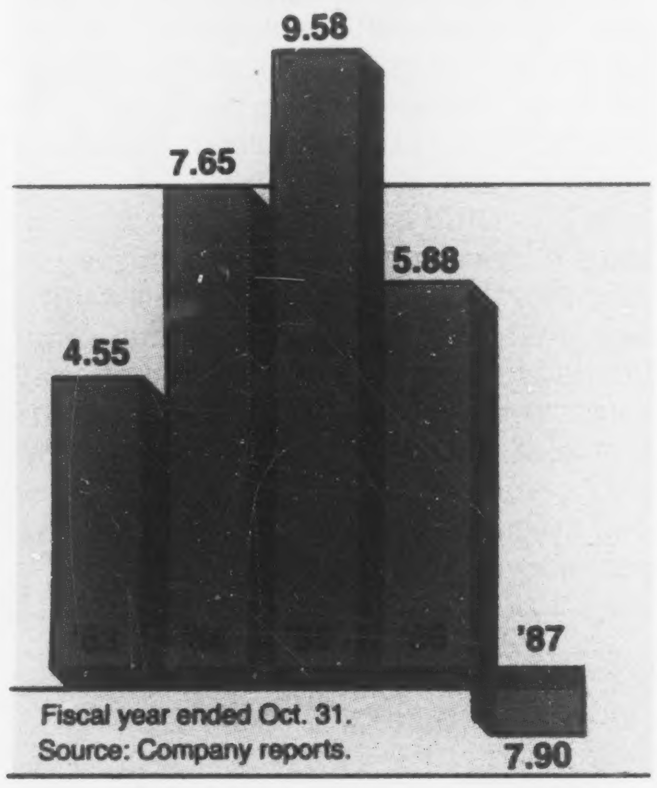
Softer-than-expected sales in its drug and auto parts stores contributed to Perry's losses.

PONTIAC, Mich. — Fiscal 1987 was a year the people at Perry Drug Stores would just as soon forget. The upper Midwest's largest drug chain reported a net loss of $7.9 million—the first in its 31-year history—as the high costs of its rapid expansion in recent years, combined with shrinking gross margins, overtook earnings momentum.

The profit crunch touched off a year of wrenching changes at Perry and a complete re-examination of its strategic direction. In a very short time, in fact, the chain has reversed its expansion-oriented strategy, revamped its merchandise mix in favor of basic drug store merchandise, abandoned its 252-store auto parts division, drastically cut headquarters staff and almost completely restructured its management team.

Perry registers loss

(Millions of dollars)



Fiscal year ended Oct. 31.
Source: Company reports.

In the process, many of its veteran senior executives, including Al Wander, Don Fox, Mickey Kole and John Frazzini, have left the company. Others have been reassigned.

The sweeping management changes began with the retirement early last year of longtime Perry veteran Don Fox as president and chief operations officer, and the appointment, last June, of retail veteran David Schwartz to take his place.

Schwartz has realigned drug store operations into four groups, and also taken direct charge of support functions like distribution, security, merchandising, and advertising. His goal: a leaner, more responsive structure that is more in tune with local markets.

"Our new organization has given each group flexibility to tailor strategies to the conditions in the respective market area," Schwartz said recently.

Perry's problems, which emerged despite record sales last year of $726 million, were due to a confluence of factors. Softer-than-expected sales in its drug and auto parts stores, including a same-store sales gain of only 3 percent in drug stores, certainly contributed to the loss. High operating costs; reduced margins on prescription drugs; and other products in a heavily contested home market were also among the contributing factors.

At the front end, Perry's decision to abandon high-ticket general merchandise in favor of a more basic drug store mix cut into gross profits. Meanwhile, the auto parts division had been hampered. Pressured by a heavy debt load and a softening auto aftermarket, the company struck a deal to sell its 252 Auto Works units to Northern Automotive Corp. early this year for $51 million in cash. The deal resulted in a one-time charge against earnings of roughly $11 million in the first quarter, but cut the company's $160 million debt by nearly a third.

Perry's departure from auto parts retailing—including plans to phase auto supplies out of its drug stores—also leaves the company free "to concentrate its efforts in drug stores and health care," according to company spokesman Berl Falbaum.

With its load lightened, Perry is moving quickly to turn itself around as a leaner, more concentrated drug store retailer. The chain has developed a store prototype for the 1990s which emphasizes service, shopping excitement and a high-volume, concentrated merchandise mix. The company has also shifted away from new store openings in favor of upgrading and remodeling existing stores in line with the new format.

Perry Drug Stores highlights

Name: **Perry Drug Stores**
Headquarters: **Pontiac, Mich.**
Officers: **Jack Robinson,** chairman-ceo; **David Schwartz,** president-chief operations officer.
Store count: **223**
Average store size: **12,000 square feet**
Markets: **Michigan, Illinois, Wisconsin**
'87 drug store sales: **$549.9 million**
Highlights of '87: **Completed major "back to basics" remerchandising program. Instituted cost-cutting measures,** slowed expansion and upgraded computers systems to boost profitability.

Drug Emporium in clash of deep discounters

Emporium
Cam

Drug Emporium opened 23 stores in 1987, for a total store count of 139.

WORTHINGTON, Ohio — Drug Emporium, the nation's largest deep discount drug store chain with an estimated $800 million in sales for fiscal year '88, faces stiffer competition in the coming years as it goes head-to-head with Phar-Mor, F & M, and other deep discounters in more markets.

In 1987, the deep discount leader found itself in direct competition with F & M in two markets, Milwaukee and Indiana, and with Phar-Mor in seven, including its hometown of Columbus.

Executive vp Gary Wilber said the one-on-one rivalries "are and aren't" putting increased pressure on affected stores.

"In some stores, yes, our sales were flat temporarily. But in other stores, it hasn't happened. Either we attract new customers or the old ones just come back."

He views the higher profile of deep discount operations in new markets nationwide as educating consumers to the benefits of shopping deep discounters.

"It's possible that when you have two or three deep discount stores in a concentrated area, you may actually be building your base of customers, and so we all may be benefiting," Wilber said.

He sees deep discounters as drawing the bulk of their traffic from food stores, conventional drug stores and discount stores, with food stores suffering the most when deep discounters enter a market. "Today, food stores have the dominant share of many H&BA category sales, and when we open, we think we take a lot of their business."

Although aware that the aggressive expansion and financial clout of such operations as Phar-Mor and F & M may result in one or both overtaking Drug Emporium in dollar sales by the end of the decade, Wilber said the chain won't try to force growth "at the expense of our bottom line."

"You've got to run your own business," he said. "Obviously, the first chain going into a market has an advantage, and we'd like to be the first in everything. But you don't want to outstrip your ability to grow, either financially or in management.

"We're going to be aggressive, but not overly aggressive," he continued. "We're not going to be sitting back and watching the world go by, but our planning will be for what we can handle, and we will continue to grow without disrupting what we already have."

Drug Emporium opened 23 stores in 1987 and recently opened additional units in Philadelphia and Cincinnati, for a total store count of 139 to date. New markets it entered last year included Mobile, Ala., Albuquerque, N.M., and Nashville and Knoxville, Tenn.

It plans to open 30 to 40 units this year, about equally dispersed among franchised and company markets. Although expansion will "quite possibly include some new markets," the chain will concentrate primarily on filling in existing markets in '88.

Currently, about 40 percent of Drug Emporium stores, which average about 25,000 square feet in size, are company owned, a ratio the chain plans to maintain, Wilber said.

The chain operates on an average 18 percent gross margin, and buying is decentralized.

Sales volume per store averages about $5.8 million, but "that average is misleading. It has to do with the age of the store," Wilber said. Some stores do volume up to $10 million.

The chain's primary customers continue to be women ages 20-54, with incomes of over $25,000. Pharmacy, which is present in all stores, accounts for about 15 percent of volume, H&BA about 50 percent, and cosmetics about 15 percent.

Recently, Drug Emporium began installing IBM RT personal computers in its pharmacies, with plans to cover at least 100 stores in the next 1½ years.

"We had a very successful year," Wilber summed up. "And we're looking forward to a strong year."

Drug Emporium highlights

Name: **Drug Emporium.**
Headquarters: **Worthington, Ohio.**
Chairman: **Philip Wilber.**
Sales: **$800 million** (estimated)
Store count: **139.**
Average store size: **25,000 square feet.**
Regions: **Ala., Ariz., Calif., Fla., Ga., Ind., Kan., Ky., La., Md., Minn., Mo., N.J., N.C., N.M., Ohio, Pa., S.C., Tenn., Tex., Va., Wash., W.Va., Wis.**
Highlights: **Maintained position as largest deep discount drug chain** in **sales volume; opened 23 stores,** including penetration of new markets.

Phar-Mor continues aggressive growth rate

YOUNGSTOWN, Ohio — Phar-Mor is continuing its aggressive growth rate this year, taking the 74-store deep discount drug chain into at least four new states while also filling in existing markets.

During the past year, Phar-Mor doubled in size and made major inroads on some established markets like Chicago, Fort Wayne, Ind., Augusta, Ga., Raleigh and Durham, N.C., and Mobile, Ala. In Chicago, the chain quickly opened six stores, placing it directly against rival deep discounter F&M, Walgreens, and Osco.

Despite this competition, Phar-Mor director of advertising Carol Robinson said the chain felt there was still plenty of market potential in the city and surrounding suburbs. To carve its piece of the Chicago-area pie, Phar-Mor blitzed the market with its typical heavy dose of radio, television, and print advertising.

day
PHAR-MOR
BUYING POWER
PHAR-MOR'S Power Buying Gives You Far More Buying Power
Save Up To 50% Everyday
Pantyhose

Grand opening for Evanston, Ill., Phar-Mor drew large crowds thanks to ad blitz.

Unlike many deep discount drug stores, Phar-Mor advertises heavily with big grand opening events and a year-round continuity campaign. The chain seeks to distribute these costs by clustering its stores in key markets.

While Phar-Mor's typical 45,000-square-foot to 55,000-square-foot stores carry everyday low prices, the chain runs additional grand opening specials to attract shoppers away from the competition.

For the opening of its Evanston store, just north of Chicago, Phar-Mor offered $5 off on new prescriptions, doubling of manufacturers' coupons up to 50 cents, free enlargements with film developing, and free t-shirts, hats, and two-liter bottles of Coke.

Phar-Mor plans to continue its assault on the Chicago market with the opening of a 52,000-square-foot store within the city itself this October. While the site will place Phar-Mor in the new Riverpoint Center, Robinson said most of Phar-Mor's growth is in strip centers.

This past year the chain also tested telemarketing in several cities, allowing Phar-Mor to engage in direct-to-consumer marketing. However, the campaign—the first known use of telemarketing at the drug store industry level—is no longer being employed by Phar-Mor, according to Robinson.

Instead, the direction this year is on an aggressive growth pace. To help finance the expansion, Phar-Mor obtained a $50 million line of credit from Westinghouse Credit Corp. last fall. The financing allows Phar-Mor to draw on the funds over a 24-month period on an as-needed basis, which allows the chain to avoid paying interest costs on any unused portion.

Backing the financing was 10-year senior subordinated notes and warrants for the purchase of an undisclosed amount of Phar-Mor stock by Westinghouse.

With this capital behind it, Phar-Mor plans to open 50 stores this year and 50 stores in 1989, according to company president and chief operating officer Michael Monus.

While some of this year's growth will work to fill in current markets, Robinson said the company will also enter Wisconsin, Iowa, Kentucky, and Texas for the first time. However, she added that Phar-Mor is not limiting its growth to just these areas; it is also looking in other cities, such as Denver.

Phar-Mor highlights

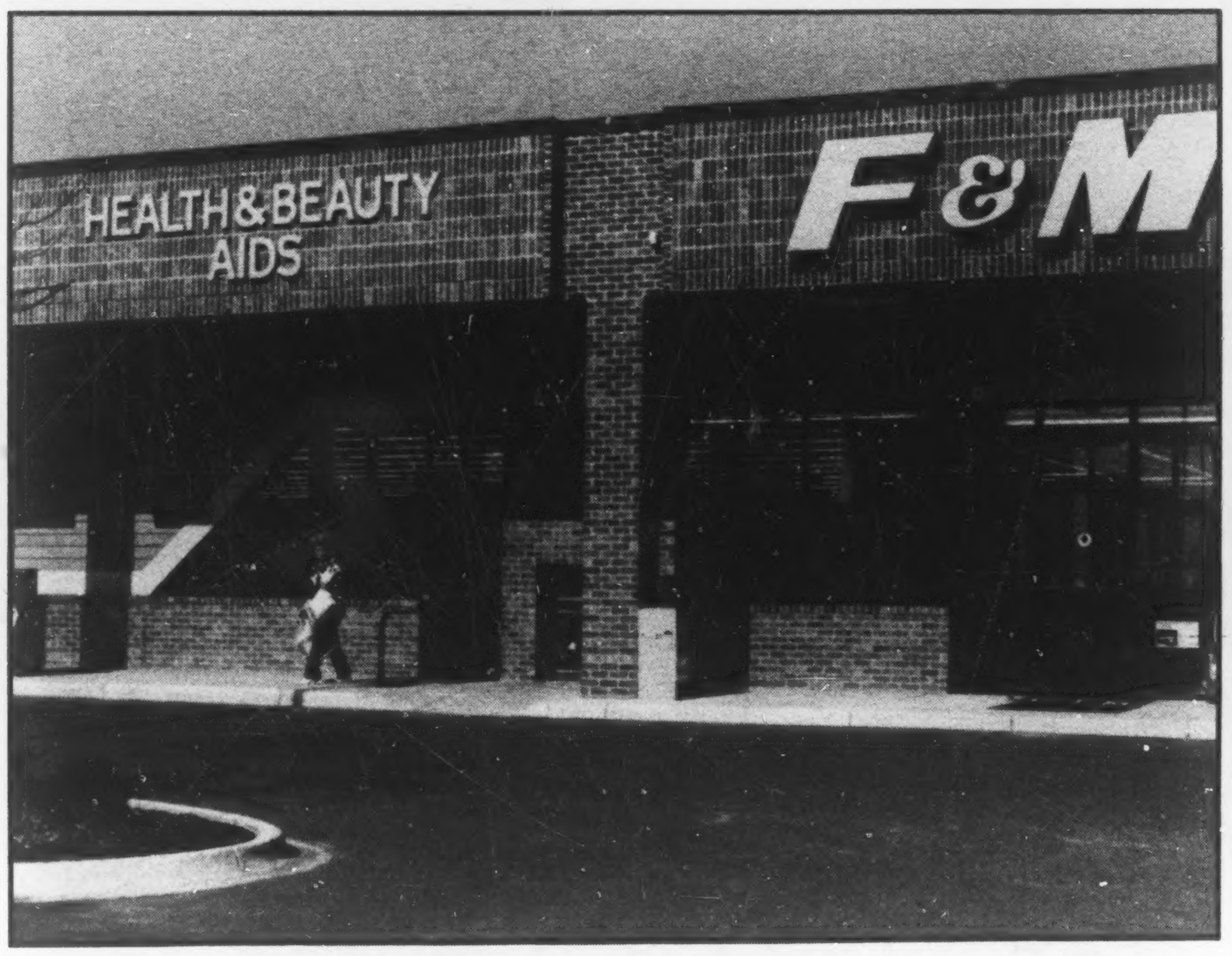
Name: **Phar-Mor**
Headquarters: **Youngstown, Ohio**
President and chief operations officer: **Michael Monus**
Fiscal 1987 sales: N/A
Store count: **74**
Average store size: **45,000 square feet to 55,000 square feet**
Primary operating markets: **Chicago and Pittsburgh**
Highlights of '87: **Phar-Mor moved into the competitive Chicago market** during 1987, placing it against chains like F&M, Walgreens and Osco. One of the fastest growing deep discounters, Phar-Mor **doubled in size** during 1987.

F&M Distributors muscles into new markets

WARREN, Mich. — F&M Distributors did a lot of growing up in 1987. The deep-discount retailer doubled its store count to 54 units, nearly doubled its sales to $330 million, leaped into some of the nation's biggest markets through two key acquisitions, and doubled its market penetration in Chicago through both acquisitions and new store openings.

The chain's biggest single coup last year was the purchase of Supermarkets General Corp.'s Pathmark Super Drug off-price division in October. The 10-store operation—including nine stores already in operation and a 10th under construction—gave F&M immediate entry into major East Coast markets like Baltimore and Tidewater, Va., and put it within what chain president and ceo Frank Newman called "easy reach" of Philadelphia and Washington, D.C. Newman said the chain will capitalize quickly on those opportunities.

"We have the advantage of not having to start from scratch in those markets, since Pathmark has already spent considerable time educating consumers on deep discounting," Newman said after the purchase. "The stores are also very close to our average prototype, at 25,000 to 29,000 square feet."



An F&M in Troy, Mich., chain's home market. Key strategy for '88: accelerated growth.

With stores in Virginia, Maryland and upstate New York, Pathmark Super Drug also gave F&M the chance to extend its reach far beyond its traditional markets in the Midwest and East Central regions.

Closer to home, F&M pulled off a key acquisition in Milwaukee and Chicago. In Milwaukee, the chain bought three former Designer Depot stores from K mart, giving it access for the first time to that city. Newman called the move a logical extension of F&M's reach north of Chicago, and he characterized Milwaukee as an ideal market for the chain, "with consumers who are serious about their shopping."

In Chicago, F&M doubled its store count in 1987 to 17 stores, including four within the city limits. In addition to new stores, the chain acquired the three-unit Castle Distributors operation in Chicago's north suburbs, closing two marginal units and converting the most productive store to its format.

F&M's growth has come rapidly, but only after extensive preparation. In 1986, Newman instituted a series of steps designed to beef up the chain's organizational structure in support of an accelerated growth strategy. Then and now, Newman's goal was to operate at least 100 off-price drug and H&BA stores by 1990.

To gear up for its growth from a regional operator in Southern Michigan into a multi-state retail power, the chain boosted internal operating controls, doubled its warehouse space and added to its headquarters and store management staff. Newman also spearheaded the development of a tighter, more focused F&M store prototype, with greater control by headquarters over merchandising and fixturing, and a far tighter mix.

In so doing, Newman and other planners stripped the stores down to their essential ingredients: H&BAs, cosmetics, household products, snack foods and a few other core categories. They eliminated most electronics, toys, hardware and other "fringe" categories in favor of a more concentrated image to draw, with a clear message, the upper-middle-income, mostly female shoppers F&M cultivates. Pharmacies are present in about half the chain's stores, but only where market conditions justify them.

F&M highlights

Name: **F&M Distributors**
Headquarters: **Warren, Mich.**
President and ceo: **Frank Newman**
Sales: **$330 million**
Store count: **54**
Store size: **25,000 to 29,000 square feet**
Markets: **Ill., Ind., Mich., Ohio, Md., Va., Upstate N.Y., Wis.**
Highlights of '87: **Doubled store count** to 54 en route to becoming a 100-store chain by 1990. **Doubled penetration in Chicago, entered Baltimore, Milwaukee and Tidewater, Va., via acquisition.**

THE 1988 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Hook-SupeRx embarks on acquisition trail

CINCINNATI — Hook-SupeRx (HSI) surprised the industry when it announced it wanted to buy Brooks Drug and move into New England markets.

The plan would create the country's fifth largest drug chain, just one year after a management team bought 686 Hook and SupeRx stores from Kroger for $415 million. The purchase would combine Hook-SupeRx's $1 billion estimated annual sales with Brooks' $500 million, and create a chain with over 1,000 stores in 24 states.

Sources last month said HSI was close to a final purchase agreement with Brooks' owner, Compact Video, which is 41 percent-owned by MacAndrews and Forbes.

The planned buyout of the 361-store Brooks chain raised a host of questions, including how HSI—already heavily in debt from the LBO—would pay for it.

HSI has already used bank loans, high-risk bonds, and investor equity in its LBO, including heavy equity investments from Kroger and Goldman Sachs, and loans from a consortium of banks.

Yet few answers were offered as the purchase unfolded, as HSI continued a policy of limiting public comments. The company has been tight-lipped about its plans in general. Sources say that stems from chairman Philip Beekman's desire to limit announcements until he is acclimated to the drug industry, and maps out a clear future course. Beekman is a former president of Joseph E. Seagram & Sons.

The planned merger also raises the question of whether Brooks' business practices and plans will be left intact.

A Hook prescription counter. Uniform pricing store-to-store is a chain hallmark.

Brooks has launched reforms over a broad front since M&H bought the stores. They've centered on reforms to merchandise mix, a distribution system upgrade, and appointments to high posts of new executives.

Also unclear is whether any of Brooks' assets, covering 10 states, will be sold to help pay the cost.

Gayl Doster, HSI's vp of finance and an investor in the HSI LBO, reportedly will become Brooks' president, and Theo Folz, Brooks' chairman and ceo, will return full time to Consolidated Cigar, another M&F affiliate.

The bid for Brooks followed a $6.6 million purchase of 19 Eckerd stores in Virginia and West Virginia.

HSI's aggressive acquisition strategy came at a time when its existing stores were facing new challenges. Hook's exceptionally strong franchise in Indianapolis and surrounding markets was threatened by some of the country's best deep discount chains, Drug Emporium, F&M and Phar-Mor.

Market sources said Hook has been tapering its store growth in Indianapolis, forfeiting sites to chains such as Peoples, which added 10 stores in 14 months in the greater Indianapolis market.

Hook, though, has relied upon a reservoir of shopper loyalty and the continuity of a strong management group. Its Indianapolis market share pushes the high 60th percentile.

Hooks' centralized approach leads to 88 percent of merchandise coming from an Indianapolis warehouse, and uniform pricing for all stores.

In an ongoing store renovation program, SupeRx is favoring a look it unveiled in 1986 in a Nashville race track unit, according to market sources.

Changes include lowering gondola heights and adding categories such as home health care while paring some sundries. The stores average 10,000 square feet

In a filing with the Securities & Exchange Commission on nine-month results ended Aug. 31—HSI's first public revelation since the buyout—HSI said sales and operating targets were being met. Nine-month sales were $831 million, with same-store sales up 4.9 percent.

The company was left with $10.3 million in working capital after using other cash flow from operations to retire short- and long-term debt, and capital investment.

In the nine months, it said Hook opened eight stores and closed two, ending with 341. SuperRx opened three and closed three units, ending with 313, and 12 Drug World deep discount stores.

The chain underlined its commitment to the strong home health care store business built by Hook. It launched two new 6,000- and 6500-square-foot convalescent aids centers in Nashville, Tenn., and Bowling Green, Ky., raising its home health store total to 30 units.

The stores carried a "Hook-SupeRx" logo, in line with a new policy to use the dual name in markets where both chains have a presence.

Hook-SupeRx highlights

Name: **Hook-SupeRx Inc.**
Headquarters: **Cincinnati, Ohio.**
Chairman: **Philip Beekman.**
Executive vps: **Gary Hendren, SupeRx** division; **Newell Hall, Hook** division.
Sales: **nine months ended Aug. 31; $831 million.**
Store count: SupeRx, **313;** Hook, **341.**
Average store size: SupeRx, **10,000 square feet**; Hook, **7500 square feet.**
Regions: **SupeRx—Midwest, Mid-Atlantic, and South; Hook—Midwest zone centered on Ind., Ohio, and Ill.**
Highlights: **HSI plans to buy Brooks Drug** and **enter New England** for the **first time.** It follows a **purchase of 19 Eckerd units** in **Virginia** and **West Virginia for** the **SupeRx** division.

Brooks pins its hopes for future on prototype

PAWTUCKET, R.I. — Brooks Drug unveiled a new prototype in early 1988, a symbol of its hopes for the future.

Store reformatting—which will involve a major overhaul of the merchandise mix—surfaced after a year of upheaval as the 361-store chain attempted to rebuild its competitive edge and restore profitability.

As Brooks undertook the extensive effort to revamp its merchandise, operations, and image, Hook-SupeRx Inc. launched a bid to buy the New England chain of bantams from Compact Video, which is a subsidiary of MacAndrews and Forbes Holding Co.

Knowledgeable observers have looked for several years for M&F to unload the drug chain, since the holding company has typically concentrated on larger non-retail businesses, and hasn't seemed strongly committed to retailing.

Yet M&H seemed ready to back a push to revitalize Brooks when William Sudhaus was named president and ceo in December 1985. Sudhaus replaced James Salmanson, who resigned, ending his family's 53-year association with the chain, formerly known as Adams Drug.

While Sudhaus lacked a drug retailing background, analysts said he was a capable executive from M&F's ranks. Sudhaus quickly began directing an overhaul. His plan included more competitive pricing, consumer polling, and a "new look" for Brooks centered on the convenient health care theme.

Pharmacy sales—accounting for 30 percent of total sales, and 36 percent of sales in stores with pharmacies (85 percent of total)—began to climb.

A Brooks Drug pharmacy. Chain's private label program has been recast.

Sudhaus recruited extensively from Northeastern competitor CVS, bringing in the top executives who now run the chain. They include John Jennings, executive vp-marketing, Gary Mercer, executive vp-store operations, and Richard Morrissey, vp-merchandising.

Brooks sold 10 percent of its stores under Sudhaus, ending with 375.

Thoughts that M&F might reform the chain for its own use dissolved abruptly in July, when Sudhaus was replaced as ceo and president by Theo Folz, Brooks chairman. Like Sudhaus, Folz lacked a retail background, and his appointment, while he also kept the chairmanship of sister company Consolidated Cigar, led to speculation that the chain was being prepared for sale.

The view was confirmed in December with the announcement of the preliminary pact to sell to Hook-SupeRx.

HSI and Compact Video were reportedly close to a final agreement on a sale which will launch the Cincinnati and Indianapolis-based chain into New England markets for the first time.

By year's end, Brooks had closed or sold off 41 underperforming stores, and said growth will begin in 1989, with a 5-percent gain in units, accelerating to 10 percent in subsequent years.

Sources at both chains have said they don't expect HSI to dismantle the basic structure of Brooks' broad repositioning campaign.

Gayl Doster, HSI's vp-cfo, will be named president of Brooks.

Brooks launched three of its prototype units by March 1988, including one in Plainville, Mass. (7,000 square feet), one in Ipswich, Mass. (10,000 square feet), and one in Hampton, N. H.(8500 square feet).

The goal is to have a store that supports convenient access and egress, and exhibits an open, uncluttered look. Floor displays will be sharply cut back.

Company officals said all stores could be reformatted in the next five to six years.

The stores carry 15,000 SKUs—Brooks' average—but 6,000 of them have been changed, with emphasis on the core drug, H&BA, cosmetics, stationery, and candy categories.

General merchandise and hard goods are heavily reduced, including imported goods, toys, hardware, and housewares.

The private label program has been recast. A new quality assurance program was planned, and a plethora of labels and styles will be consolidated under one Brooks brand look.

Main decor colors of gray and maroon inside give way to a red and white exterior, with a store-length awning.

Curved surfaces on window frames, and on a overhanging marquee at the pharmacy, help create a "soft" comfortable look.

Other reforms include: completion of conversion to the Brooks name and logo from the old Adams Drug title, stepped up installation of pharmacy computers with a chain-wide rollout in the first half of 1988, and a modernized warehouse merchandise ordering system that uses warehouse-generated shelf labels.

Brooks' highlights

Name: **Brooks Drugs**
City: **Pawtucket, R. I.**
Chairman, president, and ceo: **Theo Folz**
Sales: **$395.7 million** for 1987
Stores: **361**
Average size: **7,000 square feet to 10,000 square feet**
Regions: **New England, New York, Pennsylvania**
Two highlights: **Bill Sudhaus was removed as president** after launching a broad reform push, and after hiring top execs from CVS. **Hook-SupeRx, Inc.** announced a tentative pact to buy the chain from **Compact Video.**

Pay 'n Save striving for turnaround in 1988

SEATTLE — Disappointing results in Pay 'n Save's latest quarter indicate the road to recovery may be long for the drug and discount store chain.

The company fell from a $279,000 gain in first quarter 1987 to a $1.2 million loss in the present period. While this loss was better than the fourth quarter $8.9 million loss, without an extraordinary gain, the first quarter loss would have been close to that figure at $7.8 million.

Sales rose 13 percent to $226 million, with the 109-store Pay 'n Save drug stores accounting for $150 million and the 37-store Bi-Mart membership discount stores the rest.

Sales trend upwards

Indeed, sales improved the past two quarters, largely from merchandising changes. After placing close-out specials and numerous low-end import merchandise in the stores in late 1986, Pay 'n Save righted what customers' viewed a definite wrong, and the stores returned to a true drug store image last year. With all stores recast by late summer, the chain then launched an aggressive advertising campaign to trumpet its changes.

COSMETICS
REVLON
REVLON
MAX FACTOR

A cosmetics department in the Burien, Wash., Pay 'n Save.

While the advertising did help boost sales, it also cut deeply into margins. Reducing the advertising costs and finding other dollar-saving cuts is now a key goal for Gerald Nathanson, chief executive officer and president.

Nathanson will be able to pull on the experience of several new executives who joined the chain in mid 1987. From Osco Drug, Pay 'n Save picked up Haven Ready as its senior vice president of operations and stores, while hiring Ed Cooney as senior vp-human resources, a former employee of Stop & Shop's Bradlees division. Other new executives included Ron Matasich, vp-controller, Paul Landes, divisional merchandise manager-warehouse rebuying and Fred Gates, vp-regional manager, Hawaii.

Five new stores eyed in '88

In 1988, the chain plans to open two full-sized stores and three downsized Limited stores, which help Pay 'n Save fill in markets.

Pay 'n Save will also continue to refine Limited, an effort begun last year to help the chain dominate its markets by opening up additional smaller sites. Currently the company is operating six Limited stores, averaging about 6,500 square feet, and featuring a strong core drug category presentation. Much of the growth for the Limited concept in 1987 came through the acquisition and moderate remodelling of six former G. O. Guy drug stores from Bonanza Stores.

While numerous changes have kept Pay 'n Save busy during the past 12 months, Bi-Mart has been a strong mainstay for the company and continues to provide steady growth in both store count and sales.

During 1987 the Eugene, Ore.,-based division opened four stores and in the first quarter Bi-Mart opened two additional sites.

Increasing its viability in the market, Bi-Mart introduced a new prototype in late 1987 and the company will continue to roll out this updated version this year. At the same time, the company installed cosmetic centers in several of its stores, greatly increasing Bi-Mart's previous small-scale offering.

Pay 'n Save highlights

Name: **Pay 'n Save Inc.**
Headquarters: **Seattle, Wash.**
President, ceo: **Gerald Nathanson.**
Stores: **109 Pay 'n Save** drug stores; 37 **Bi-Mart** membership discount stores.
Earnings 1987: **$26,828,000 (loss).**
Sales 1987: **$726,131,000.**
Size: **22,000 square feet, (17,500 square feet selling).**
Main markets: **Pacific Northwest;** largest concentration in the Puget Sound (Seattle area).
Highlights: After a short-lived and unsuccessful closeout merchandising strategy failed, **Pay 'n Save recast its stores and returned to its drug store image.** Pay 'n Save **launched its small-sized Pay 'n Save Limited concept** to reach new markets and fill in existing areas.

Fay's multifaceted program boosts earnings

LIVERPOOL, N.Y. — Fay's Drug launched a multifaceted program last year to raise profits, and has succeeded so far. Brisk earnings growth for the chain based here has resulted from new warehouse space, a lower percentage of immature stores, and a new pricing and promotion strategy.

Fay's posted record per-share earnings in the fourth quarter ended Jan. 31, its seventh straight quarter of earnings growth, and the second year of solid improvements after earnings had slumped to $2.8 million in 1986.

Earnings for fiscal 1988 were $5.9 million, or 45 cents per share, compared with $4.1 million, or 29 cents a share in the prior year. Fourth quarter earnings were $3.7 million, or a record 29 cents per share, compared with $3.39 million or 24 cents a share in the year-earlier Christmas quarter.

The sales came on Fay's first half-billion dollar sales year. Revenues of $500.4 million were up 10.6 percent from last year, with fourth quarter sales of $141.3 million, up 11.2 percent.

Fay's heavily-promoted prescription business and its AccuFay's pharmacy computer system contributed. Indeed, Henry Panasci, Jr., Fay's chairman, said the year's prescription drug sales were up 17.8 percent. The chain has posted an average annual prescription growth rate of 13 percent over the past 10 years.

Fay's posted strong gross margins as it built profitability, held margins, and rebuilt sales.

Its third-quarter gross margin, for example, was 27.8 percent, compared with 23.7 percent in the previous year's quarter, as it weeded out low-profit items in its promotional mix and gained buying advantages from a 300,000-square-foot warehouse addition. Fay's was able to virtually eliminate expenditures for outside storage and take advantage of deal buying.

This summer, Fay's launched a strategy of holding margins on ad merchandise while cutting some promotional item prices in order to build sales momentum.

Fay's
DRUGS
STORE HOURS
BREAD
55¢
AccuFay

A Fay's Drugs unit, located in Cicero, N. Y.

Panasci also said that Fay's is committed to its Paper Cutter office supply stores and Wheels auto parts stores, which are becoming more profitable.

Fay's opened seven Paper Cutter stores, with expansion centered in Albany, Syracuse, and Buffalo. It ended the year with 12. It built the Wheels division to 15 units after opening two in Albany and Syracuse.

Plans calls for opening seven more Paper Cutters and six Wheels in calendar 1988. David Panasci, formerly vp of merchandising and development, was named president of the Paper Cutter division.

In March Fay's said it had 161 drug stores in New York, Pennsylvania, Connecticut, and Massachusetts, including two opened since the end of the fiscal year. Fay's plans to open 12 super drug stores in 1988.

The chain's stock of stores under three years old that don't contribute to earnings topped 40 percent two years ago, and was a main contributor to the slumped profits of 1986. A more deliberate expansion strategy reduced the ratio to 37 percent in 1987.

It was a year of significant change in top management, led by the appointment of Larry Rose, the former executive vp of marketing, merchandising, and distribution at Thrift Drug, as Fay's new president and chief operations officer. Rose was named after a 10-month search, and Panasci said his background in all facets of drug retailing will be brought to bear.

Rose's assignment followed the installation of Dan O'Leary as vp of finance and cfo. Rose, O'Leary, and Warren Wolfson, vp and general counsel, were elected to the board.

Projecting strong growth in demand for prescriptions, Fay's will develop whatever approaches are needed to capture this business, Panasci said.

"It is projected that by 1989, due to the aging of the population, advances in drug-related treatments, and mandated reductions in hospital stays, the number of prescriptions filled will grow to 2.7 billion. That's an 80 percent increase over 1986 levels," Panasci noted.

Fay's opened its first pharmacy in a medical center building in Syracuse, N. Y., early this year as part of a plan to expand its pharmacy services. It offered a limited front-of-store selection of OTC, H&BA, cards, and candy. It also contained Fay's first prepared intravenous medication program, which was planned for roll out into three conventionally-sized and sited drug stores serving nursing homes in Albany, Rochester, and Buffalo, N.Y.

Fay's was already committed to the nursing home business. Its sales into 8,000 nursing homes grew to 4 percent of total prescription sales in 1987. Fay's also opened its first pharmacy in a nursing home in a Syracuse suburb.

Fay's highlights

Name: **Fay's Drug Co., Inc.**
Headquarters: **Liverpool, N. Y.**
Chairman: **Henry Panasci, Jr.**
President: **Larry Rose.**
Sales: **$500.4 million.**
Store count: **drug stores, 161; Paper Cutter office supply stores, 12; Wheels auto parts stores, 15.**
Average drug store size: **15,000 square feet.**
Regions: **N. Y., Mass., Pa., and Conn.**
Highlights: **Larry Rose, of Thrift Drug joins Fay's as president and chief operations officer** as part of a series of new top officer appointments. **Fay's posted its seventh consecutive quarter of improved earnings** as it planned growth in its drug, office supply and auto parts businesses.

PRODUCTS

A 'quiet' year for Duane Reade: Sales up 20%

LONG ISLAND CITY, N. Y. — Duane Reade, the only major drug chain in people-packed Manhattan, has been quiet this past year.

Quiet like a fox. Duane Reade opened four stores and generated a 20-percent increase in dollar sales. There are now 30 stores in the chain, with just one outside Manhattan, in Brooklyn.

The average Duane Reade store produces more than $6 million annual sales. Through its bantam stores that average about 5,000 square feet, Duane Reade is maximizing its dollar sales per square foot better than any other chain in the industry.

Part of the chain's success has always been its high traffic locations. Duane Reade does not look for neighborhood store locations as a Walgreens or Rite Aid does. Duane Reade looks for street traffic, and it builds stores in neighborhoods where office workers, tourists, business people, and government employees assemble.

Duane Reade also doesn't advertise to pull the business in off the street. Instead, it uses its windows to display leading brands at substantial discounts. These lure shoppers inside the store, where impulse displays build the business.

A lot of merchandise is bought on deal and stacked in the chain's 130,000-square-foot warehouse in Long Island City. The warehouse, which is completely computerized, handles approximately 80 percent to 85 percent of all the mix in a Duane Reade store.

Duane Reade highlights

Name: **Duane Reade.**
Headquarters: **Long Island City, N. Y.**
Chairman: **Abraham D. Cohen.**
President: **Eli Cohen.**
1987 sales: **$ 200 million.**
1987 store count: **30.**
Average store size: **5,000 square feet.**
Market: **New York City.**
Highlights, '87: **Opened four new stores, increased sales 20 percent;** average store sales now exceed $6 million.

This year, Duane Reade is expanding that warehouse by approximately another 30,000 square feet.

In New York, their management is never able to know exactly how many new stores they will open in a given year, because site acquisition activity depends on the economy and real estate costs, but a source says Duane Reade is prepared to open as many as four more stores in 1988, just as they did in 1987, "if the right opportunities present themselves."

There will not be another Brooklyn store, the source says, even though the existing unit has been "phenomenally successful." Brooklyn, which is really a city of little neighborhoods, does not have the locations Duane Reade needs to build $6 million stores.

Their one existing Brooklyn store is an exception because it is in an open-air mall downtown on Fulton Street in an area that has plenty of tourist and commercial traffic.

drugs
DR duane reade

Location is the key to Duane Reade's success.

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Arbor lays groundwork for Michigan market gains

Arbor highlights

Name: Arbor Drug Stores.
Headquarters: Troy, Mich.
Officers: Eugene Applebaum, chairman and ceo; Markus (Max) Ernst, president and chief operations officer.
Store count: 76.
Store size: 10,400 square feet.
Region: Southeastern Mich.
Sales 1987: $215.3 million.
Highlights: Began construction on 233,000-square-foot distribution center to support growth to 150-unit chain. Absorbed Sentry Drug Stores purchase, remodeling former Sentry stores for sales gains.

TROY, Mich. — Arbor Drugs' central offices are much like Arbor drug stores: strikingly clean and uncluttered, visually appealing and colorful. Both reflect the tastes and retail philosophy of Arbor's founders, chairman and chief executive Eugene Applebaum and president Max Ernst.

At Arbor's spacious new headquarters, the almost minimalist decor serves to highlight a serious collection of modern art, which is Applebaum's passion. In the company's spotless drug stores, the wide, clutter-free aisles, bright colors and tight merchandise focus highlight one of the most appealing and effective store formats in the industry.

Arbor's approach—staying close to the business and merchandise it knows best, with full service, attractive stores and competitive pricing—has produced a high-volume store format and moved the chain into strong second place in Southeastern Michigan drug retailing, just behind Perry Drug Stores. The chain is well ahead of the industry average in per-store sales, at $3 million plus; in sales per square foot, at $336; and in average inventory turns, at 6.5.

The purchase in 1986 of 19 Sentry Drug Stores—17 of which were kept open and extensively remodeled—also helped boost total sales 42.1 percent in 1987, to $215.3 million. The Sentry purchase and renovations also put a drag on earnings last year, however, with net down to $5.2 million from $5.4 million in 1986.

"Last year we spent the entire year absorbing our acquisition of Sentry, including the disposal of acquired inventory, remodeling costs and employee training," Applebaum noted recently. The result, he said, will be an earnings rebound beginning this year as the former Sentry stores come onstream and contribute.

Net income up

In fact, the Sentry purchase and renovation appears to be bearing fruit quickly. Converted units (virtually all have been renovated) are reportedly producing sales gains averaging 20 percent this year, and profits are rising.

Net income for the first quarter rose 31.2 percent for the 76-store chain, to $1.4 million. Included were the remodeled Sentry units, which Applebaum said made a "positive contribution" to first-quarter results.

One key measure of Arbor's underlying strength—despite escalating operating expenses and Michigan's fiercely competitive marketplace—has been continued healthy results in seasoned stores. Same-store sales were up a strong 9.3 percent last year, fueled by Arbor's increasing name recognition, strong photofinishing sales, aggressive advertising, convenience-oriented merchandising , and other factors.

"This is still a convenience business of low prices and basic merchandise," Arbor's chairman is fond of saying. "We're still dealing with a customer who's looking for essential items and a quick, easy trip into the drug store."

Arbor's leaders say the chain will have little trouble growing steadily by 10 units a year in Michigan, and he envisions a 150-unit operation in that state within the next several years. "You have to remember, we've already had to deal with all the kinds of competition in our home market that other chains are just now being hit with in other parts of the country," said Ernst. "We grew up alongside the discounters and the deep discounters and the powerful combo operators, and we've established our niche."

"We happen to love Michigan as a market," Applebaum said last year. The economy is diversifying, the outlook is bright, and we see plenty of opportunity left within our advertising umbrella for fill-in expansion."

Arbor took a major step last year to position itself for future growth when it broke ground on a new, 233,600-square-foot distribution center in nearby Novi, Mich. The center, which became operational in February, expands Arbor's warehouse capacity five times and creates new opportunities for deal buying and improved inventory control, say its leaders.

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PERFORMANCE

Genovese, spurred by record sales, eyes costs, renovation

MELVILLE, N. Y. — Exhilarated by record sales and earnings achieved in fiscal year '88, Genovese Drug Stores is pushing forward with its recipe for success: alert management, stringent cost controls, aggressive merchandising, and store renovation.

"This is just the beginning," said Don Gross, vp-marketing.

"We're most proud of our 12.2 percent comparable-store increase in sales and the fact that our customer count is up 9 percent," Gross continued, citing such strategies as aggressive advertising, seasonal coupon books and an "excellent Christmas catalog" as getting the customers into the stores.

Renovation and enlargement of established neighborhood stores contributed to sales increases of from 30 to 35 percent for those units, he said, and that renovation and enlargement program will continue in '88.

Genovese alsc expects to open eight to 10 new stores this year, after opening only four units in 1987, partly because of construction snags. The new stores, in the 11,000-12,000-square-foot format, will all be located in current market areas, especially in Brooklyn and Long Island.

Genovese is breathing a corporate sigh of relief now that its 155,000-square-foot distribution center, opened in August 1985, is operating efficiently. "The balance of 1985 was tough," Gross acknowledged. "It didn't come on-stream as fast as we wanted."

Now, about 60 percent of merchandise is shipped from the warehouse. At press time, Genovese was exercising its option to buy the adjoining 110,000-square-foot property and now empty building it leases. Assuming that goes through, the company will have a total of 265,000 square feet, which will enable it to "spread out," Gross said. Over the next six months, the chain will be adding more lines, such as stationery, to the warehouse.

Despite some other troubles in 1985 and 1986, including the departure of Patrick Edwards in '86 after a short stint as president, Genovese dug in and achieved steady sales and profits growth in fiscal 1987.

Its pharmacy department, which accounts for about 24 percent of total volume, made an especially strong showing, achieving some 4.6 million prescriptions. And a particularly mean flu season has boosted pharmacy sales to record heights so far in '88, Gross said.

Genovese stepped up its efforts to highlight its health care image in 1987 by devoting regular flier and biweekly newspaper ad space to its Gen-Care Health Network, in addition to the informational brochures and reference product catalogs available at pharmacy counters. Although it's too early to gauge the effects of the increased effort, "we're excited about it," said Gross.

Genovese highlights

Name: **Genovese Drug Stores.**
Headquarters: **Melville, N. Y.**
Chairman and president: **Leonard Genovese.**
Sales: **$313.9 million;** net income: **$4.6 million.**
Store count: **83.**
Average store size: **11,000 square feet to 12,000 square feet.**
Market: **Connecticut, New Jersey, New York.**
Highlights: **Achieved record sales and earnings** for fiscal year '88, as well as **12.2 percent increase in comparable-store sales; began test of scanning** in two stores.

The chain has been testing scanning since March '87 and plans to introduce it into a third store right after Easter. Although Genovese at first proceeded slowly with scanning, "to work out the bugs," the company now plans to pick up the pace, targeting 10 to 12 stores on POS by year end.

Also in test are two photofinishing mini-labs. "We're feeling our way along," Gross said. "Depending on the sales and profits it produces, we'll roll out more."

With sales per square foot among the highest in the industry—$387 in FY '88—Genovese will continue to cultivate growth areas as small appliances, stationery/greeting cards, and candy, as well as private label, which grew from 0.5 percent last year to 1.5 percent of total sales so far this year.

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PROFILES

Big B bestowed a record year in '87; lives up to its name

BESSEMER, Ala. — Big B lived up to its name in 1987, finishing the year in a big way, with record sales, earnings and store openings.

Year-end earnings shot up 62.8 percent, to a record $7.3 million, on sales of $248.6 million, an 18.5 percent increase.

Alabama's largest chain rolled out a record 33 drug stores, for a store count of 188, including seven Drugs for Less deep discounters and five home health care centers. Plans are to maintain a rapid expansion pace in 1988 by adding 25 units, to achieve 210 stores by year end. Expansion will be in all five states in Big B's trade area: Alabama, Florida, Georgia, Mississippi and Tennessee.

Although Big B's expansion has brought it to within 15 miles of Atlanta, via a unit opened in Conyers, Ga., late last year, the chain has no plans to enter the Atlanta market in 1988, said Arthur Jones, executive vp and treasurer.

In early 1987, Big B bolstered its presence in its home state by purchasing 13 drug stores from Jack Eckerd Corp. for an estimated $6.5 million.

Later in the year, the chain sharpened its drug store focus by selling its five B-Mart Food and Drug combos to former parent Bruno's. Big B is opening 8,500-square-foot to 9,000-square-foot drug stores adjacent to those sites, while Bruno's is running the former B-Marts as Food Fair groceries, rather than in the combo format.

Big B keeps its customers coming by offering a broad merchandise mix, competitive prices and upscale format. The typical drug store, which averages 9,000 square feet, includes appliances, automotive supplies, hardware and sporting goods, in addition to core drug store items. To improve profit margins, the chain last year trimmed its offering of electronic hardware and other high-ticket items and raised prices in such departments as stationery and hardware.

A boon to operating efficiencies has been Big B's 240,000-square-foot office and distribution center, opened two years ago, which supplies approximately 70 percent of drug store merchandise. The center's highly mechanized and automated systems help reduce labor, transportation and handling costs and increase the chain's purchasing and storage capacity.

Big B is continuing to roll out a POS system, which links electronic registers in its stores to a central computer system. The system enables buyers to gauge advertising effectiveness and track sales quickly.

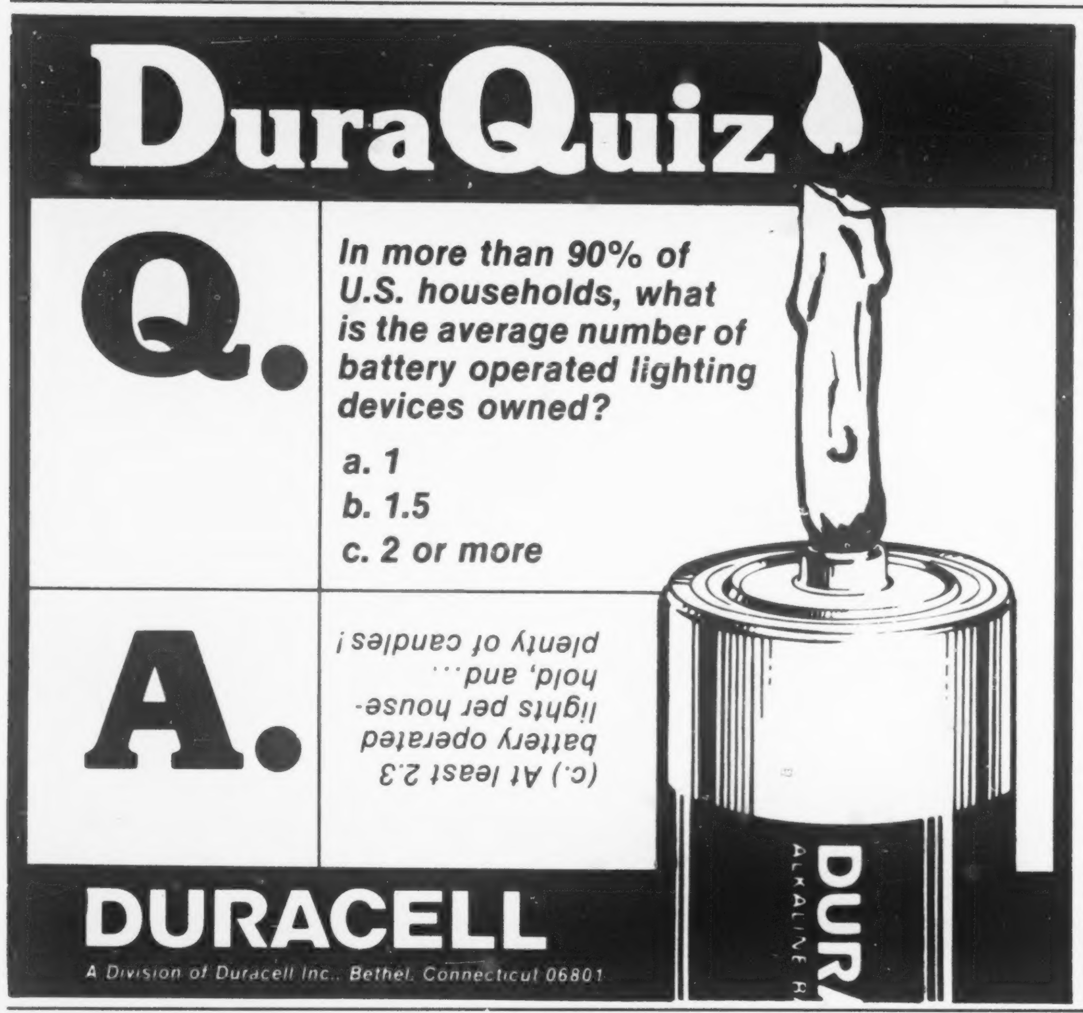
Pharmacy sales account for about one-third of Big B's drug store sales, and the chain attributes that above-average performance, in large part, to its senior citizen prescription discount program and its computerized pharmacy inventory and customer-account records system. A significant source of pharmacists has been its training program for pharmacy school students and graduate pharmacy interns.

The chain's five home health care centers, which average 4,800 square feet, also contribute to its strong health care image.

Big B ventured into the deep discount business about two years ago with its Drugs for Less, which it considers a growth area. The stores, which range in size from 10,000 to 18,000 square feet, offer discounts of from 10 to 50 percent and feature a large pharmacy department, as well as a drug store assortment that includes H&BA, cosmetics and greeting cards.

Big B highlights

Name: **Big B**
Headquarters: **Bessemer, Ala.**
Chairman: **Joseph S. Bruno.**
President: **Anthony J. Bruno.**
Sales: **$248.6 million,** a record.
Store count: **188.**
Average Big B store size: **9,000 square feet to 13,000 square feet;** Home Health Care centers, **4,800 square feet.**
Market: **Ala., Ga., Fla., Tenn., Miss.**
Highlights: **Opened a record 33 stores; bowed out of grocery business** with sale of its five B-Mart Food & Drugs to Bruno's; **bought 13 stores from Jack Eckerd Corp.,** strengthening home-state presence.



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c. 2 or more

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Fantle group turning Dart Drug around with cash infusion

LANDOVER, Md. — Dart Drug Stores has stepped back from its fiscal precipice, thanks to fresh cash infused in November by an investor group headed by Sheldon "Bud" Fantle.

The former ceo of Peoples, who knows the Greater Washington market so well, saw in Dart "a great opportunity."

His initial $8 million investment bought him the chance to wrangle once more with the likes of Giant, Safeway, Rite Aid—and this time Peoples. He has been there before.

He predicted then that the initial investment would grow to $20 million to $25 million over six months. He said more cash and the sale of nonperforming assets would raise the cumulative investment figure to that level.

The management team, led by chairman Fantle and president Jeffrey Fantle, has already exceeded its promise to invest in Dart's turnaround.

Dart announced a $6 million stock offer last month, and said it will sell its 17 combination drug store/home centers. Three went to F&M for more than $9 million. Dart then immediately sold eight leasehold interests for $21.4 million cash; seven of them were combo drug store/home centers.

For years, market sources felt that these combos confused shoppers and clouded the image of what Dart sought to be in the marketplace.

For all the efforts by the team of former ceo Stephen Hansbrough, crushing debt killed the chain's cash position and put virtually every improvement plan on hold—as Dart struggled to survive. An initial public stock offering replaced some debt, but didn't help enough.

Vendors clamped down on credit, which led to 25 percent out-of-stocks in 1987, a Dart source told *Drug Store News*. "We were headed for disaster. We couldn't get shipments. We had no cash and no credibility," the source added.

Fantle, who eyed Dart on and off for six months before taking the plunge, "brings Dart credibility," another Dart source said.

Dart management is now using its fresh cash to buy inventory, reduce accounts payable and upgrade stores. Stores will have a more uniform approach, at about 15,000-square-feet, and will emphasize prescriptions more than in the past. Fantle, a pharmacist, is expected to raise Dart's script average to the industry norm.

Fantle said he will place pharmacy computers in every store within two years. That will follow the completion of point-of-sale installations chainwide by mid-1988.

Dart's initial performance under new management showed shrinking losses on lower sales. The 83-store chain reported losses of $3.1 million in the second quarter ended Jan. 31, compared to a $5.2 million loss in the same period a year earlier. Sales in the quarter were $63.7 million compared to $74.0 million for the same period a year ago.

Dart Drug Stores highlights

Name: **Dart Drug Stores.**
Headquarters: **Landover, Md.**
Chairman: **Sheldon "Bud" Fantle.**
President: **Jeffrey Fantle.**
Six-months sales: **$119.7 million.**
Stores: **83,** including **five Total Plus deep discounters** in Richmond, Va.
Store size range: **5,000 square feet to 40,000 square feet,** chain plans to focus on 15,000-square-foot stores.
Primary markets: **Maryland, D.C., Virginia.**
Highlights: **Dart became public.** In November, former Peoples' ceo **Bud Fantle acquired controlling stake.**

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PROFILES

M & H drug business branching into new retail channels

MEMPHIS — A revamped franchise program spearheaded a new commitment by Malone & Hyde (M&H) to its drug business, which is anchored by the 106-store SuperD stores.

Targeting 100 stores in five years, the franchise division was to open its 10th unit in March. It is also launching franchised apothecary-sized units under the Consumer's Drug name this year.

Besides enlisting independents and new store owners as franchisees of stores averaging 6,000 square feet, SuperD plans to buy some Revco and Eckerd stores for new franchisees. The stores—scattered throughout SuperD's Mid-South market zone—are marginal performers, or in markets that are not promising for Revco and Eckerd, a SuperD source said.

Those units will be resold to independent wholesale customers of M&H, who want the advantages of operating under the franchise umbrella.

Satisfying capital needs

The franchise push meets the needs of M&H's leveraged buyout by allowing the drug division to maintain market share through new store growth that doesn't require significant capital spending. It is also suited to market conditions. Franchises offer a competitive vehicle for what chain officers say is an increasing number of embattled independents.

Franchising is only one of the new avenues through which M&H is pursuing drug growth, three years after management and Kohlberg, Kravis, and Roberts bought the $3 billion food and drug wholesaler and retailer.

The pharmacy component was added to its Ike's deep discount store format, as the first Ike's was launched in Nashville in May. Ike's two Memphis stores—retailing fixtures synonymous with everyday low prices—were also slated for pharmacies.

Supermarkets seek parity

Requests by supermarket customers of M&H's wholesale business led the drug division to put three pharmacies into Big Star and Piggly Wiggly stores. Officers expect that more of the SuperD-owned and operated pharmacies will be similarly placed, as the supermarkets seek competitive parity with the combos.

M&H's Megamarket and Super One super warehouse stores—both corporate-owned and franchised—also stood in line to receive their first pharmacies.

The drug component was set for rollout into units in Louisiana, Mississippi, and Arkansas, as well as in three corporate-owned warehouse stores in Nashville. Officers predict the stores will fill 500 to 600 daily scripts, as pharmacy accounts for 5 percent of the $800,000 to $1 million weekly volume.

Refinement continues

SuperD has continued to refine and experiment with its store formats which it feels must provide the convenience its customers expect.

The basic format features a center aisle running from the front door to the rear-of-store pharmacy counter. Gondolas are slanted toward the aisle, and their heights are varied to create maximum exposure of merchandise.

SuperD Drugs highlights

Name: **SuperD Drugs.**
Parent: **Malone & Hyde.**
Headquarters: **Memphis, Tenn.**
President, drug division: **Bob Billings.**
Sales 1987: **$180 million (estimated).**
Stores: **106** corporate-owned, **10** franchised.
Size: **6,000 square feet.**
Main markets: **Western Tenn., Northern Miss., Eastern Ark., Southern Mo.**
Highlights: **launched a revamped franchise program** planned as the main vehicle for growing the drug business. **Added a pharmacy to its Ike's deep discount** store and rolled it into Nashville.

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SupeRx Corp. sends out large ripples on drug chain pond

PHOENIX — While some confusion about the two SupeRx entities will probably always exist, there's no confusion about the strides that the Phoenix-based version has made in the past year.

Since its creation as a separate chain a little over a year ago, SupeRx Corp. has been sending out some rather large ripples from its Phoenix base.

Starting with a small acquisition of three Walgreens stores in Alabama last year, SupeRx has gone on to pick up seven more drug stores and three home health care centers. Now it is bidding to acquire Begley Company's 43 drug stores, six home health centers and 140 dry cleaning units.

At the same time SupeRx aggressively pursues growth opportunties, it is also taking steps to remake its marketing image with an upgraded merchandise mix, store layout and decor package that emphasizes core drug store categories and shopping convenience.

The strategy is being carried out by a team headed by Gerald Wolken, a former Kroger Co. veteran who was president of the Cincinnati-based SupeRx before Kroger decided to sell off its free-standing drug store business.

The purchasers of SupeRx included Rite Aid, which acquired a large chunk of SupeRx stores in Florida and the Southeast; a management-investment group that purchased the largest block of stores and formed a new company called Hook-SupeRx Inc. to run them; and Wolken's group, which used money from American Continental Corp., a Phoenix investment firm, to buy 48 SupeRx stores in Arizona, Georgia and Alabama.

SupeRx Corp.'s marketing thrust is exemplified by a new prototype that opened this past January in north Phoenix. It's a racetrack store modeled on the highly successful unit that SupeRx (Cincinnati) opened in Nashville several years ago.

The Phoenix SupeRx team is seeking to duplicate the success of the Nashville store in the extremely competitive surroundings of this capital city. Two more racetrack prototypes are slated to open this year.

But SupeRx is not only focusing attention on the racetrack stores. The company is also remodeling and remerchandising a number of older stores. It is also rolling out a sleek new decor package that features a deep green and peach color scheme that has a distinctively Southwestern flavor. All stores not receiving major remodeling will get at least a freshening up of paint this year.

The chain is also adding cosmetics consultants to many of its stores in an effort to service the all-important woman customer. In addition, in the remodeled stores, the cosmetics department has been repositioned as a boutique near the front entrance. The department has a service bullpen, étagères and more space on the wall for prestige cosmetics. The aim: high visibility for the new upscale department store look.

SupeRx Corp. highlights

Name: SupeRx Corp.
Headquarters: Phoenix.
President: Gerald Wolken.
Sales: $90 million (estimated)
Stores: 59 drug stores, three home health centers.
Highlights: Bidding against Rite Aid Corp. to buy Begley Co.; opened prototype racetrack store in North Phoenix.

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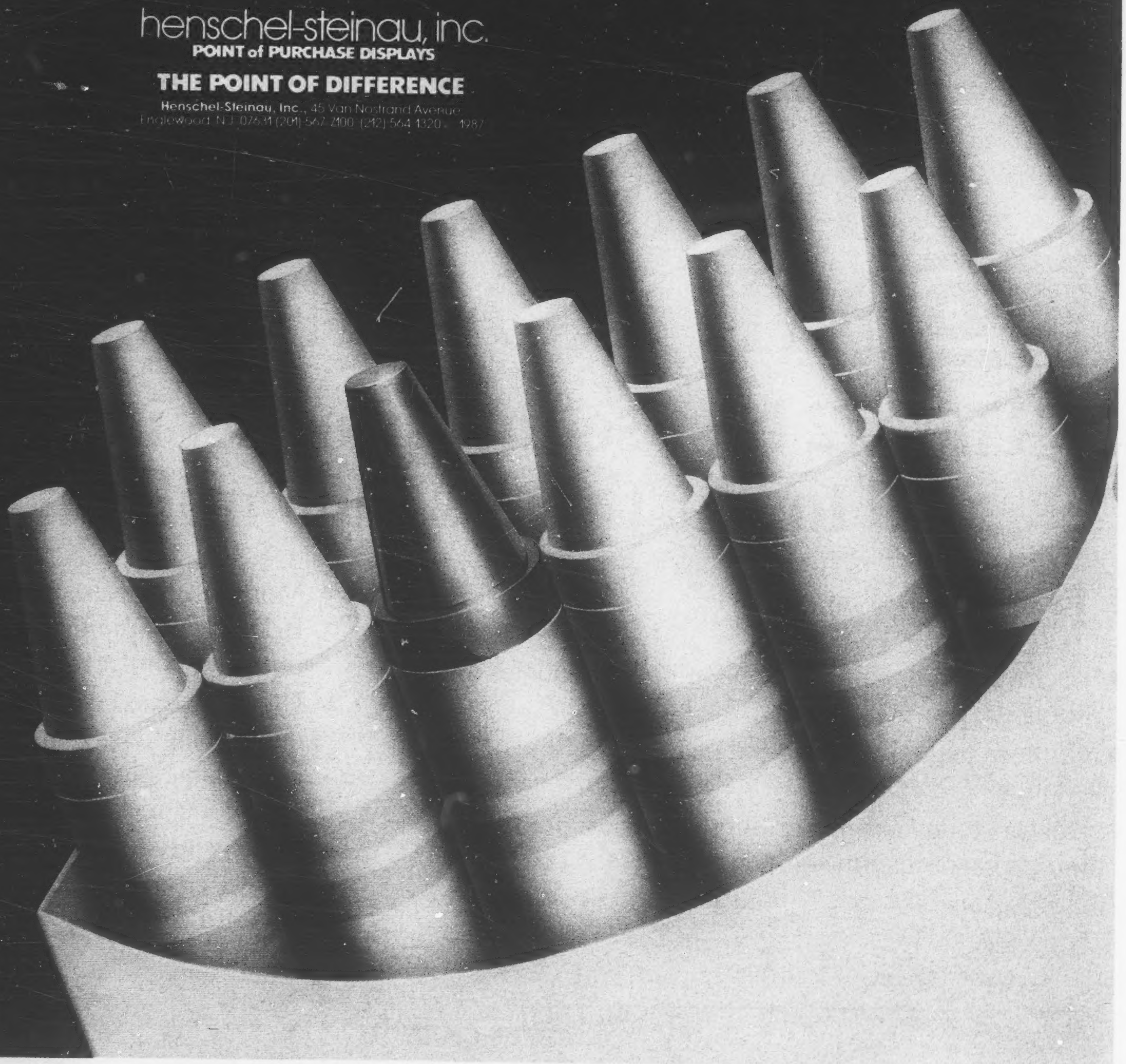

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American bids for Lucky

Continued from page 1

it intends to sell Lucky's Arizona stores if it is successful in acquiring control of the company. American added that in view of antitrust considerations, it might sell certain other Lucky assets.

Michael Holt, American Stores vp-investor relations, declined to comment further on the company's plans.

In a letter to Lucky chairman John M. Lillie dated March 21, American Stores chairman L.S. Skaggs said his company planned "to combine our existing Alpha Beta stores with the Lucky operations and operate both under the Lucky name, utilizing Lucky's business philosophy, including pricing and marketing strategies." Skaggs further said that Lucky's management would be asked to stay and operate the combined Alpha Beta-Lucky company.

American Stores said in the SEC filing March 28 that the offer is conditional, among other things, on a majority of Lucky's 38.6 million shares outstanding being validly tendered and not withdrawn. The offer expires at 12:00 a.m. April 22.

In announcing receipt of the initial offer from American, Lucky noted that its certificate of incorporation includes a "poison pill" provision limiting the voting power of any stockholder to 15 percent.

Lucky's options, analysts said, are to hold out for an even better offer from American, seek another suitor or consider taking the company private through a leveraged buyout.

Lucky shares have traded above the $45 offering price ever since American disclosed its intentions March 21.

"I think Lucky will try to receive a higher price," in the $53-to-$58 range, said analyst Charles Cerankosky of Prescott Ball, Cleveland, adding that "Lucky is a superior chain in California to Alpha Beta." He indicated Alpha Beta would benefit from being run by Lucky.

Lucky fended off a takeover bid in late 1986 by investor Asher Edelman. It closed its laggard Gemco division and sold pharmacy files to competing retailers at that time.

However, "to the extent that Lucky no longer has significant underperforming assets to recapitalize itself, it is more vulnerable" to a takeover now, according to investment analyst John Kosecoff of First Manhattan Corp. in New York.

American Stores' offer was seen as a timely defensive move by American, against a backdrop of widespread takeover activity in the supermarket industry. In addition, a repackaging of Alpha Beta's operations in a merger with Lucky "would make it not only more profitable, but more attractive for later sale," Kosecoff said. "Skaggs is a transaction-oriented manager," Kosecoff said, whose method has been to "acquire at a reasonable price and sell off at a premium."

Although the buyout would primarily affect West Coast food operations, "it's possible that other Lucky and American properties could be sold to reduce debt burden," he added.

Morgan Guaranty Trust Co. of New York has committed $500 million to American's offer, confident that current market conditions would enable it to obtain commitments from a group of lending banks for the balance of the funds needed to complete the acquisition.

Wary American issues preferred share rights

SALT LAKE CITY — The board of directors of American Stores, which owns Osco Drug and Skaggs Alpha Beta combo stores, recently took steps to protect stockholders in the event of a hostile takeover attempt. The company also announced increases in sales and earnings for the year ended Jan. 30.

The board issued one preferred share purchase right for each outstanding share of the company's common stock.

In addition, the board authorized the redemption of the company's existing rights, a move designed to assure that all of American Stores' stockholders receive "fair and equal treatment" in the event of any proposed takeover and to guard against partial tender offers and other tactics to gain control of the company without paying all stockholders a control premium.

Each new right would entitle stockholders to buy one one-hundredth of a share of a new series of preferred stock at a price of $250, exercisable if a person or group acquires 20 percent or more of American's common stock or announces a tender offer that would result in ownership of 20 percent or more of the common stock.

American Stores ended the fiscal year with a net income of $154.3 million, or $4.19 per common share, compared with $144.5 million, or $3.79 per common share, last year. The company attributed the increase in earnings per common share to the lower tax rate for 1987 and to a gain on the sale of stores by Osco Drug in the Pacific Northwest. Year-end sales reached $14.27 billion, compared with $14.02 billion the previous year.

For the fourth quarter, American's net earnings dropped to $46.1 million, or $1.31 per common share, from $55.8 million, or $1.57 per common share, in the comparable period a year ago. Sales for the quarter rose to $3.8 billion, compared with $3.7 billion in the year-earlier period.

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Moody's eyes American's ratings

NEW YORK — Moody's Investors Service is reviewing the securities ratings of American Stores and its subsidiary, Jewel Cos., for a possible downgrade, prompted by American's tender offer to acquire Lucky Stores.

The ratings under review include:

- American Stores—Baa2 industrial development revenue bonds and baa3 preferred stock; and
- Jewel Cos.—Baa2 notes.

The acquisition of Lucky could significantly increase American Stores' financial leverage and weaken debt-protection measurements, according to Moody's. Moody's is evaluating the method of financing and the prospects for debt reduction, whether through operating cash flow or possible dispositions. The review also includes potential synergies between American's Alpha Beta, which holds relatively weak market positions in Northern California and Los Angeles, and Lucky, which has considerably larger shares in both markets.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 03/11/88 - 03/28/88								Latest 12 Months vs Preceding 12 Months Change			Indicated Dvd. Rate	
					Change		52-Week							
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last Fiscal Year	Amt.	Pct.	Latest P/E Ratio	Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	61.00	54.50	54.88	.38	.69	86.25	41.50	4.19	.40 f	10.6	13.1	.84	1.5
Arbor Drugs	ARBR	11.75	11.50	11.75	.13	1.08	20.00	7.50	.81	.01 s	1.1	12.9	.00	.0
Begley Co	BGLY	30.00	28.00	28.50	.50	1.79	30.00	8.00	.04	-1.97 n	-100.0	NE	.00	.0
Big B	BIGB	13.25	12.63	12.63	-.13	-.98	15.38	9.13	.94	.33 f	54.1	13.4	.12	1.0
Dart Group	DARTA	76.50	72.00	72.00	-2.88	-3.84	170.50	59.00	19.24	-17.49 n	-100.0	NE	.13	.2
Fay's Drug	FAY	8.25	7.75	8.13	.00	.00	9.50	5.25	.45	.16 f	55.2	18.1	.20	2.5
Genovese Drug	GDX	13.38	12.50	12.75	.25	2.00	16.13	7.25	.69	.35 f	102.9	18.5	.16	1.3
Longs Drg Strs	LDG	36.38	33.00	34.88	1.13	3.33	41.00	25.13	2.33	.55 f	30.9	15.0	.80	2.3
Medicare Glaser	MGCO	2.38	2.00	2.13	.00	.00	5.25	2.00	.21	.08 n	200.0	17.7	.00	.0
Medicine Shoppe	MSII	26.88	25.00	26.00	1.38	5.58	26.88	16.50	.83	.17 q	23.9	29.5	.05	.2
Pay n Save	PAYN	3.38	3.13	3.38	.13	3.85	8.13	3.13	-1.57	.90 q	NE	NE	.00	.0
Perry Drug	PDS	10.00	7.50	8.88	1.38	18.33	14.13	5.25	-.78	-2.25 q	-100.0	NE	.00	.0
Rite Aid Corp	RAD	38.75	35.50	36.50	-.50	-1.35	46.25	28.50	1.89	.31 n	17.3	17.4	.74	2.0
Walgreen Co	WAG	33.63	30.25	31.00	-1.63	-4.98	44.88	24.75	1.68	.16 q	9.9	17.5	.60	1.9
Wholesaler's transactions														
Alco Hlth	AAHS	18.25	17.00	17.00	-.38	-2.16	21.00	10.88	1.39	.29 q	24.2	11.4	.12	.7
Bergen Bruns	BBCA	26.13	23.13	25.50	2.75	12.09	27.50	14.38	1.19	.69 s	60.0	13.9	.32	1.3
Bindley Wstn	BIND	9.63	9.00	9.63	.63	6.94	14.63	5.63	.30	-.53 f	-63.9	32.1	.00	.0
Cardinal Distrb	CDIC	15.75	13.75	15.50	1.00	6.90	21.61	10.38	1.11	.15 n	14.9	13.4	.08	.5
Durr Fillauer	DUFM	12.75	12.38	12.38	.25	2.06	12.88	7.25	.87	.05 f	6.1	14.2	.17	1.4
Ketchum	KCH	9.25	7.88	7.88	-1.25	-13.70	25.38	6.50	-1.40	-2.23 q	NE	NE	.00	.0
McKesson Cp	MCK	33.50	30.38	32.38	.88	2.78	39.25	23.25	1.95	-.21 n	-9.7	16.6	1.28	4.0
Moore Med	MMD	17.50	15.75	16.88	.50	3.05	32.63	11.50	1.46	-.07 f	-4.6	11.6	.00	.0
Owens Minor	OMI	18.50	16.50	16.88	.25	1.50	22.00	11.75	1.42	.18 f	14.5	11.9	.36	2.1
Manufacturer's transactions														
Abbott Labs	ABT	50.75	46.00	46.50	-1.50	-3.13	66.38	40.00	2.78	.46 f	19.8	16.7	1.20	2.6
Am Home Prod	AHP	83.75	77.50	77.88	-2.13	-2.66	96.75	62.00	5.73	.55 f	10.6	13.6	3.60	4.6
Baxter Travenol	BAX	26.13	22.75	23.25	-1.00	-4.12	37.50	15.50	1.10	.31 f	39.2	21.1	.50	2.2
Block Drugs Co	BLOCA	29.00	27.00	27.00	-1.00	-3.57	32.53	20.41	1.97	.28 n	14.7	12.3	.56	2.1
Bolar Pharm	BLR	23.63	21.00	21.88	.75	3.55	26.50	10.69	.91	.39 f	75.0	24.0	.03	.1
Bristol-Myers	BMY	45.50	41.25	42.00	-1.00	-2.33	54.13	28.25	2.47	.40 f	19.3	17.0	1.68	4.0
Carter-Wallace	CAR	43.25	39.88	40.25	.25	.63	57.00	24.00	2.14	.37 n	17.8	16.4	.54	1.3
Forest Labs	FRX	19.88	17.00	17.50	-1.50	-7.89	29.88	13.13	.77	.22 n	31.9	19.2	.00	.0
ICN Pharm	ICN	8.63	6.38	7.38	.13	1.72	17.13	5.63	-.92	-1.44 f	-100.0	NE	.00	.0
Lilly Eli Co	LLY	87.50	79.25	85.00	6.38	8.11	107.75	57.75	4.41	.40 f	10.0	19.3	2.30	2.7
Lee Pharm	LPH	4.75	4.13	4.50	.00	.00	10.75	2.75	-.48	-2.22 q	-100.0	NE	.00	.0
Leiner P Nutri	PLI	9.38	8.38	8.50	-.75	-8.11	20.50	6.13	1.01	-.05 n	-5.2	9.2	.00	.0
Marion Labs	MKC	23.38	21.00	21.00	-2.50	-10.64	41.50	20.13	.61	.34 s	75.6	26.6	.28	1.3
Merck & Co	MRK	165.00	155.50	160.25	.25	.16	223.00	144.00	6.68	1.83 f	37.7	24.0	3.84	2.4
Morton Thiokol	MTI	45.00	40.25	41.13	-3.63	-8.10	54.75	31.00	2.90	.42 s	15.2	12.9	.84	2.0
Mylan Labs	MYL	10.50	9.75	9.75	-.75	-7.14	17.13	7.63	.65	.07 n	11.7	14.6	.10	1.0
Newport Pharm	NWPH	4.25	4.00	4.00	.06	1.59	8.25	2.38	-.17	-.27 s	NE	NE	.00	.0
Par Pharm	PRX	20.00	17.75	18.00	-2.00	-10.00	27.25	12.13	.97	.49 q	86.0	17.0	.00	.0
Pfizer Inc	PFE	57.50	53.50	54.88	.25	.46	76.50	40.00	4.08	.18 f	4.6	13.4	2.00	3.6
Robins, AH	QRAH	27.00	25.75	25.75	-.25	-.96	29.63	12.25	-6.76	-10.14 f	-100.0	NE	.00	.0
Rorer Group	ROR	36.63	34.25	34.38	-1.00	-2.83	40.34	19.84	1.68	-2.18 f	-56.5	20.5	.80	2.3
Scherer RP Cp	SCHC	15.25	14.50	15.25	.88	6.09	20.50	11.25	.80	.90 n	1000.0	15.4	.36	2.4
Scher Plough	SGP	56.25	49.25	49.75	-3.75	-7.01	57.38	31.25	2.73	.56 f	25.8	18.2	1.20	2.4
Squibb Corp	SQB	68.25	63.63	64.00	-1.88	-2.85	102.88	55.25	3.42	.85 f	33.1	18.7	1.60	2.5
Syntex Corp	SYN	37.25	34.00	34.50	-1.88	-5.15	48.75	20.00	2.07	.47 s	25.5	14.9	1.00	2.9
Thompson Med	TM	13.88	12.25	12.25	-1.00	-7.55	25.00	8.38	1.11	.27 f	32.1	11.0	.40	3.3
Upjohn Co	UPJ	32.63	29.88	30.13	-2.25	-6.95	53.75	22.63	1.63	.28 f	20.7	18.5	.72	2.4
Warner-Lambrt	WLA	78.50	70.88	73.25	.00	.00	87.50	48.25	4.18	7.04 n	NE	18.4	2.16	2.9
Zenith Labs	ZEN	3.00	2.75	2.75	-.25	-8.33	12.88	2.50	-.19	-.76 n	-100.0	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	30.25	28.00	28.00	-.13	-.44	34.00	20.25	1.88	.38 f	25.3	14.9	.56	2.0
K mart Cp	KM	36.63	32.63	34.25	-.63	-1.79	48.38	21.63	3.40	.42 f	14.1	10.1	1.16	3.4
Melville Cp	MES	69.00	63.50	64.00	-2.00	-3.03	84.00	44.25	5.25	.85 f	19.3	12.2	2.10	3.3
Penney, JC	JCP	48.63	44.38	47.25	2.50	5.59	66.00	35.25	4.11	.58 f	16.4	11.5	1.48	3.1

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

Best Selling Categories of Winter

The chart below lists the best selling categories in food stores for the months of December, January, and February.

The rankings are based on a special Sami study tracking seasonality growth trends by category. The categories that made the list had a base index of at least 110 for the three years ended in December 1986, and January and February 1987.

Knowing the index makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.

Foods and Groceries: Best Sellers of Winter

(Average three year index ranking)

December

Foods	Index Ranking
Canned cranberries	391
Novelty candies	322
Baking nuts	267
Dates	261
Canned onions	248
Packaged chocolate covered fruits	242
Piecrust mix	214
Canned potatoes	221
Corn syrup	218
Pie crust mix	215
Brown sugar	205
Stuffing mixes	202
Chocolate creams	201
Solid chocolate pieces	200
Maraschino cherries	198
Dry yeast	191
Canned pie filling	186
Coconut	185
Sterilized milk	183
Baking chocolate	182
Packaged hard candies	180
Croutons	179
Confectioner's sugar	176
Ripe olives	174
Cider	167
Molasses	165
Spanish olives	162
Nonfoods	
Heatable bags & wraps	292
Fireplace logs & bricks	251
Rock salt	176
Disposable containers	170
Coffee makers	153
Rodenticides	144
Flash bulbs	135
Batteries	132
Oven cleaners	126
Aluminum foil	126

January

Foods	Index Ranking
Dates	259
Maraschino cherries	252
Cake decorations	239
Coconut	210
Corn syrup	206
Molasses	202
Baking extracts	199
Cream of tarter	191
Canned meats	191
Confectioner's sugar	181
Baking nuts	180
Cake flour	180
Brown sugar	173
Marshmallows	166
Cocoa	166
Baking extracts	166
Pipe olives	162
Spanish olives	161
Chili sauce	160
Canned onions	158
Cider	157
Canned dry beef	151
Canned sauerkraut	147
Canned cherries	145
Cocktail mixes	145
Canned shrimp	142
Dried apricots	141
Nonfoods	
Fireplace logs & bricks	325
Rock salt	297
Flash bulbs	211
Batteries	153
Heatable bags & wraps	148
Disposable containers	143
Waxed paper	143
Coffee makers	129
Plastic flatware	119
Poly wrap	113

February

Foods	Index Ranking
Packaged nonchocolates	215
Packaged jellies	207
Packaged solid chocolate	201
Tartar sauce	171
Packaged other chocolates	164
Canned salmon	146
Diet desserts	140
Canned pie filling	137
Packaged novelty items	136
Canned cherries	134
Diet canned fruits	131
Dry frosting mix single layer	130
Chocolate covered creams	130
Oriental food	129
Hot cereals	127
Dry frosting mix double layer	126
Bouillon	126
Canned apricots	124
Canned spinach	123
Canned mixed vegetables	123
Dried prunes	122
Dehydrated soups	122
Milk modifiers	121
Canned pears	121
Canned tomatoes	121
Honey	120
Canned soup	120
Nonfoods	
Rock salt	169
Fireplace logs & bricks	114
Facial tissues	114
Bath additives	114
Light bulbs	112
Shoe polish	110

Source: SAMI Seasonality Study

FIRST ANNUAL CONSUMER GROCERY PURCHASE STUDY

Food Shopping in Nonfood Stores is Growing

Grocery shoppers say they are buying more grocery products in nonfood stores today than they were two years ago. Price motivates most sales

A third of all shoppers who buy groceries in discount stores say their purchases have increased in the past two years for the following categories: candy, gum, chips, snacks, non alcoholic beverages, packaged and canned dry groceries, laundry detergents and household supplies, pet foods and accessories and household paper products.

Only consumers who buy beer, wine & other alcoholic beverages in discount stores say their purchases on these items is either decreasing or remaining the same.

Just 8% say their purchases of alcoholic beverages in discount stores have increased in the past two years.

Drug Store Food Purchases

At least three out of every ten shoppers who buy groceries in drug stores say their purchases have increased in the past two years for the following categories: non alcoholic beverages, packaged and canned dry groceries, laundry detergents and household supplies, pet foods and accessories and household paper products.

A fifth of all drug store grocery shoppers also say their purchases have increased for these categories: candy and gum, chips and snacks, and beer, wine and other alcoholic beverages.

One half to two-thirds of all grocery shoppers in drug and discount stores also say that the last time they purchased candy, gum, chips or snacks in these stores, it was done on impulse.

Of the eight food and grocery categories we tracked, candy and gum led as the leading impulse purchase category in discount stores, while chips and snacks generated the most impulse purchases in drug stores.

Purchases in all the other categories were more likely to be planned rather than made on impulse.

There is, however, some indication that discount store purchases are more planned than are grocery purchases in drug stores, particularly for products like alcoholic beverages, packaged and canned dry groceries, and household paper products.

Purchases of pet foods and pet accessories were more often planned in drug stores than in discount stores.

Price Main Motivator

In both drug and discount

Nonfood Grocery Shoppers: Changes In Frequency of Purchases +

(% of nonfood shoppers who say their purchases by category have increased in the past two years)

Category	Discount	Drug
Candy/Gum	34%	19%
Chips/Snacks	33	23
Nonalcoholic Beverages	32	32
Beer, Wine & Other Alcoholic Beverages	8	20
Packaged/Canned Dry Groceries	33	30
Laundry Detergents/Household Supplies	34	40
Pet Foods/Accessories	38	50
Household Paper Products	34	30

+ Based on interviews with consumers who do buy groceries in drug and discount stores
Source: Lebhar-Friedman Research

Many drug stores today have convenien shoppers use drugstores for grocery pur

BEST AVAILABLE COPY

stores, special low prices were the key factors in generating an impulse sale. Forty-seven percent of all consumers who made an edible grocery purchase on impulse in discount stores said it was motivated by low prices, and 53% who made such purchases in drug stores gave the same response.

Price was also strongly responsible for the impulse purchases of non-edible grocery items like household cleaners, laundry detergents, and paper products.

In discount stores, 68% of all shoppers who bought non-edible groceries on impulse said they did so because of price, while in drug stores, 60% said price was the reason they made an impulse purchase of a non-edible grocery item.

epartments, but just 31% of grocery buying

Non Food Stores: How Their Merchandising of Groceries Compares to Shoppers Purchasing Behavior

Category	% of stores carrying this category everyday		% of consumers buying this category in nonfood stores	
	Discount	Drug	Discount	Drug
Candy/gum	100%	93%	31%	24%
Cleaning supplies	95	93	39	15
Pet foods/accessories	95	67	16	4
Paper products like facial/toilet tissues	89	90	38	20
Chips/snacks	84	83	29	16
Nonalcoholic beverages	74	70	28	16
Packaged/canned dry groceries	42	37	29	12
Beer/wine and other alcoholic beverages	32	47	7	5

Source: Lebhar-Friedman Research

% of Nonfood Grocery Purchases Made on Impulse +

Category	Discount % of Unplanned Grocery Purchases	Drug
Candy/Gum	67%	57%
Chips/Snacks	55	61
Nonalcoholic Beverages	29	42
Beer, Wine & Other Alcoholic Beverages	31	40
Packaged/Canned Dry Groceries	33	35
Laundry Detergents/Household Supplies	20	30
Pet Foods/Accessories	25	12
Household Paper Products	21	32

+ Based on interviews with consumers who do buy those categories in drug and discount stores

Source: Lebhar-Friedman Research

Factors that Motivate an Impulse Nonfood Edible Grocery Sale +

Motivator	Discount (% of shoppers who gave this response)	Drug
Special low price	47%	53%
Were hungry & wanted a snack	34	33
Saw a large display	33	36
Remembered it was needed	33	22
Were thirsty & wanted a drink	9	17
Other reasons	13	19

+ Based on interviews with consumers who do buy groceries in drug and discount stores on impulse

Source: Lebhar-Friedman Research

FIRST ANNUAL CONSUMER GROCERY PURCHASE STUDY

Price & convenience motivates most grocery purchases in both drug and discount stores.

Who Buys Groceries in Non Food Stores

Most drug and discount store chains that carry grocery products have been enjoying double digit growth in this product segment, particularly with snacks, soft drinks, and household cleaning products.

But, according to Food Merchandising's first annual study of consumer purchasing behavior, the nonfood chains have just scratched the surface of the grocery category's potential for additional growth.

According to our study, which was implemented last summer by Lebhar-Friedman Research, just four out of every ten consumers are now buying grocery products, including snacks, in discount stores, while just three out of every ten consumers are buying snacks and traditional grocery products in drug stores.

The study's findings are based on interviews with males and females who were responsible for at least half of all their household grocery purchases.

> 44% of all consumers buy groceries in discount stores and 31% buy them in drug stores.

Our survey found that there is enormous potential for increasing grocery purchases in nonfood stores.

Frequency of Grocery Shopping is Low

Currently more than half of all grocery shoppers, 56%, are *not* shopping discount stores for food and grocery products, and an even higher portion of the grocery buying public, 69%, or two-thirds of all consumers, are not shopping for groceries in drug stores.

In addition, even though four out of every ten shoppers do buy groceries in discount stores and three out of ten buy them in drug stores, these shoppers are not making grocery purchases as often as they could and should be doing.

And this is primarily because neither drug nor discount stores are doing an adequate job of inspiring food and grocery purchases on a frequent basis.

Among shoppers who buy groceries in discount stores, just one in ten (25%) say they make grocery purchases in their local discount stores at least once a week or more.

And drug stores, which are more convenient to most shoppers than discount stores, do an even worse job with their shoppers. Just (19%) of all grocery buying drug store shoppers say they make a grocery purchase in their local drug stores at least once a week.

Lack of Consistency A Problem

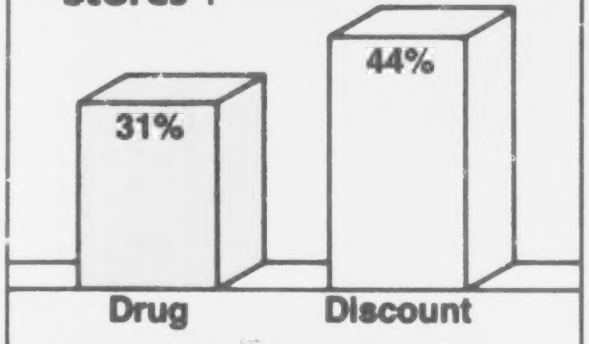
From interviews with consumers and buyers of grocery products for nonfood chains, *Fm* has indications that part of the problem is inconsistent merchandising of the grocery category.

Many consumers say they cannot depend on finding grocery products in drug and discount stores on any "consistent" basis. "There's no way I can make a planned food purchase in a drug or a discount store," said one woman shopping a New Jersey K mart, "unless I'm buying candy or a snack."

Most consumers say they make planned purchases only of "advertised" items, nuts, candies and crackers at Christmas, household cleaners and detergents at January and Dollar Day specials, and packaged commodity items like juices and cake mixes or facial tissues at varying seasonal periods.

Based on our research and follow up interviews with consumers and grocery product buyers for nonfood chains, it's apparent that drug and discount stores could increase the frequency of their grocery sales as well as broaden their universe of grocery shoppers by doing the following:

% of Consumers Buying Groceries in Nonfood Stores +



+ Based on interviews with shoppers responsible for at least half of all household grocery purchases
Source: Lebhar Friedman Research

Strategies For Maximizing Foods

- Maintain a consistent year-round grocery department
- Give the department visibility by putting it adjacent to high traffic aisles
- Advertise specials that would appeal to the main grocery household shopper
- Display the specially advertised items on end caps and floor displays adjacent to the grocery department
- Keep the pet department, the beverage department, the household cleaning department and the paper products department as close to the edible grocery department and the candy/snack departments as possible.
- Keep prices in all the grocery departments below the everyday retails in competitive food stores.
- Take advantage of the grocery manufacturers' growing interest in the nonfood trade to develop programs advantageous to year-round marketing of groceries.
- Tailor a grocery department to commodity and seasonal items that turn fast, generate incremental sales and encourage repeat customer visits.

How Often Consumers Shop Nonfood Stores for Groceries†

Frequency of shopping	Discount	Drug
Once a week or more	11%	6%
2-3 times a month	8	4
Once a month	16	8
Once every 2-3 months	4	6
Less often than once every 2-3 months	5	7
Never	56	69

†Based on interviews with shoppers responsible for at least half of all household grocery purchases
Source: Lebhar Friedman Research

Regional shopping patterns

Fm's first annual consumer grocery purchasing survey also found that there are regional differences in the way consumers shop for groceries.

Consumers living in the south are the most likely to purchase groceries in discount stores (56% do) while consumers living in the northeast are the least likely to buy groceries in discount stores (just 27% do).

Consumers who live in the west are the most likely to buy groceries in drug stores (37% do). But in the midwest, just 26% of all shopped say they buy groceries in drug stores.

Both drug and discount stores also sell more groceries to more affluent customers, to the households with incomes of $25,000 and above. Shopping at non food stores for grocery items is significantly less likely, the study found, among consumers with incomes of less than $25,000.

How Often Drug & Discount Store Consumers Shop Nonfood Stores for Groceries†

Frequency of shopping	Discount	Drug
Once a week or more	25%	19%
2-3 times a month	18	13
Once a month	37	26
Once every 2-3 months	9	19
Less often than once every 2-3 months	11	23

†Based on interviews with consumers who do buy groceries in drug and discount stores
Source: Lebhar Friedman Research

Affluent Shoppers Buy More Groceries In NonFood Stores†

(% of shoppers who buy groceries in nonfood stores)

Income levels	Discount	Drug
Under $25,000	36%	15%
$25,000 to $44,999	66	47
$45,000 or more	35	46

†Based on interviews with shoppers responsible for at least half of all household grocery purchases
Source: Lebhar Friedman Research

Discount store shoppers who purchase groceries are very likely to throw laundry detergent in their shopping cart.

The Groceries Consumers Buy in Nonfood Stores

Laundry detergents & household supplies are the grocery products most often bought in discount stores.

Candy/gum and household paper products are the groceries most often bought in drug stores.

In general, discount stores get more grocery category purchases from their shoppers than drug stores do.

Eighty-eight percent of the shoppers who bought grocery products in discount stores purchased items like laundry detergents and household supplies.

In contrast, according to our survey, just 48% of all shoppers who bought groceries in drug stores used their stores as sources of supply for laundry detergents and household cleaning items.

Briefly, here is a summary of how grocery purchase activity differs in drug stores vs. discount stores:

Groceries: What Shoppers Buy in Nonfood stores +

(% of nonfood grocery shoppers making these purchases)

Category	Discount	Drug
Laundry Detergents/Household Supplies	88%	48%
Household Paper Products	87	64
Candy/Gum	70	76
Chips & Snacks	67	50
Packaged/Canned Dry Groceries	67	37
Non-alcoholic Beverages	64	50
Pet Foods & Accessories	37	13
Beer, Wine & Other Alcoholic Beverages	15	16

+ Based on interviews with shoppers who do buy groceries in drug and discount stores
Source: Lebhar-Friedman Research

Report Card On Grocery Purchases: Discount Stores

- 88% of all shoppers who buy groceries in discount stores buy laundry detergents and household cleaning supplies;
- 87% of all shoppers who buy groceries in discount stores buy household paper products;
- 70% of all shoppers who buy groceries in discount stores buy candy and gum;
- 67% of all shoppers who buy gro-

ceries in discount stores buy chips, snacks and packaged or canned dry groceries;

- 64% of all shoppers who buy groceries in discount stores buy nonalcoholic beverages;
- 37% of all shoppers who buy groceries in discount stores buy pet foods and accessories;
- 15% of all shoppers who buy groceries in discount stores buy beer, wine or other alcoholic beverages.

Report Card on Drug Store Grocery Purchases

- 76% of all shoppers who buy groceries in drug stores buy candy and gum;
- 64% of all shoppers who buy groceries in drug stores buy household paper products;
- 50% of all shoppers who buy groceries in drug stores buy chips, snacks and nonalcoholic beverages;
- 48% of all shoppers who buy groceries in drug stores buy laundry detergents and household cleaning supplies;
- 37% of all shoppers who buy groceries in drug stores buy packaged and canned dry groceries;
- 16% of all shoppers who buy groceries in drug stores buy beer, wine and other alcoholic beverages; and
- 13% of all shoppers who buy groceries in drug stores buy pet foods and pet accessories.

So, as you can see, with the exception of two categories, candy/gum and alcoholic beverages, discount stores generate more grocery category purchases than drug stores.

Discount stores also get more overall grocery purchases.

As we noted in our main story, some 44% of all consumers buy edible and nonedible grocery purchases in discount stores, while just 31% of all consumers buy these same grocery products in drug stores.

Frequency of category purchases

Very few of the shoppers we surveyed, however, bought products in these eight categories very frequently in nonfood stores.

According to our survey, fewer than one third of those who purchase items in each category do so "once a week or more." However, shoppers tend to buy groceries more frequently in discount stores than in drug stores.

About a third (31%) of the shoppers in our survey said they bought pet foods and accessories once a week or more often in discount stores while just 25% said they made such purchases once a week or more in drug stores.

Thirty percent of the shoppers who bought nonalcoholic beverages in discount stores said they did so at least once a week or more, while 26% of those who bought their beverages in drug stores said they did so at least once a week or more.

Why Shoppers "Don't" Buy Groceries in Non Food Stores

Those consumers who do *not* shop at discount stores for foods/groceries say it is primarily because such shopping is "inconvenient" for them.

Four out of ten simply say their local discount store is "too far away" or "not in their neighborhood" so they don't think of buying groceries there.

Another 13% say they simply "prefer to do all of their grocery shopping in one place."

One in five shoppers said that they simply prefer to shop for groceries in supermarkets, while about one in ten say their local discount stores just didn't carry grocery items.

The reasons shoppers gave for not buying grocery products in drug stores also centered on convenience, but to a lesser extent.

Just 9% said that drug stores were "too far away" to make grocery purchases, or that they preferred "to shop in one place."

Just 14% said they didn't buy grocery products in drug stores because their local drug stores didn't carry such products, and only one in ten (9%) said it was because they preferred to purchase food items in supermarkets.

According to our survey, just one out of every ten shoppers aren't buying groceries in drug and discount stores because their prices are "too high."

Surprisingly enough, most shoppers didn't mind that drug and discount stores can only offer a limited selection of grocery items.

Just 4% of all the shoppers in our survey said "limited selections" was one of the reasons they didn't shop for groceries in drug and discount stores.

Why Shoppers "Do" Buy Groceries in Nonfood Stores

Those consumers who *do* shop for goods & groceries in non food stores say they shop these stores for three main reasons: price, convenience and product selection.

Most consumers who shop for groceries in discount stores said their purchases were generated by "low prices" (63%) and "advertised specials" (56%).

Consumers who bought food and grocery items at drug stores said they did so primarily because their local stores had "convenient locations" (55%) and "good advertised specials" (48%).

Discount store shoppers also said that maintaining products in stock and offering the best selection and variety were reasons they shopped for groceries in their local stores.

Drug store grocery shoppers, however, were less likely to report that having product in stock or offering a good selection were reasons for buying groceries in drugstores.

DRUG STORE NEWS®
April 25, 1988

4/27/88

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THE 1988 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PART TWO

TOILETRIES
STATIONERY
PHOTO
VIDEO
8%
CHAIN SALES GAIN IN 1987
CANDY
CONSUMABLES
Cosmetics
OTC
PRESCRIPTIONS
BACCO
GENERAL MERCHANDISE
AND MORE...

0028703C DR
JEANNE LONG
CONGRESSIONAL INFORMATIO IN3
4520 EAST-WEST HIGHWAY/#800
BETHESDA MD 20814

Merchandisers play by new rules to beat competitors

See pages 81-152

See Inside Pharmacy pages IP17-IP51

SAMI/Burke study eyes aspirin sales jump

— Page 12

DRUG STORE NEWS®

Vol. 10/No. 9 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. April 25, 1988

Revco bowing out of southern Florida

Stores in northern Fla. unaffected by move

By James Frederick

TAMPA, Fla. — Revco D.S. has opted to withdraw from southern Florida, and sold 11 of the 30 units it operates in the area to Rite Aid in early April. The other 19 units in the southern part of the state will be offered for sale over the next several weeks, and will be closed if no buyers are found.

'From a competitive viewpoint, Revco did not have the market dominance that we would like in [Delaware or So. Florida]. For us to become the first or second most dominant drug store would mean a substantial investment.'

Boake Sells
Revco chairman & ceo

In a related development, Revco also sold its two Delaware stores to Thrift Drug in early April.

Revco's decision to exit southern Florida and Delaware was announced by chairman and ceo Boake Sells in a letter to Revco employees dated March 21. Sells called the decision "strategic in nature," adding: "From a competitive viewpoint, Revco did not have the market dominance that we would like in either area. For us to become the first or second most dominant drug store in those locations would mean a substantial investment in opening more stores, something that we were not prepared to do.

"Instead," he added, "we will concentrate resources on areas having the greatest operating significance to us."

See **Revco,** *page 244*

200+ of chain's units taken off the critical list

TWINSBURG, Ohio — More than 200 Revco drug stores placed on alert by company management last summer have boosted performance enough to be taken off the critical list, Revco chairman and chief executive Boake Sells told *Drug Store News* this month.

"About 300 stores were originally put on a monitored store list, and informed that they could be closed," Sells said.

"Since that time, 95 of those stores have been closed or sold or taken off the list," he said. "The other 205 got a letter this week from (executive vp-stores) Carl Bellini saying they

See **200,** *page 244*

Pay 'n Save engaged in talks to sell chains

Pamela Krein

SEATTLE — Backing off earlier denials, Pay 'n Save ceo Gerald Nathanson said the drug and discount chain is for sale, and negotiations with possible buyers have taken place and are ongoing.

Pay 'n Save was forced to acknowledge the possible sale of all or most of its drug stores and Bi-Mart discount stores, after the company's chief financial officer made a statement that he knew of no reason for a recent stock increase.

Nathanson told Drug Store News *the cfo was unaware that negotiations have occurred and are continuing.*

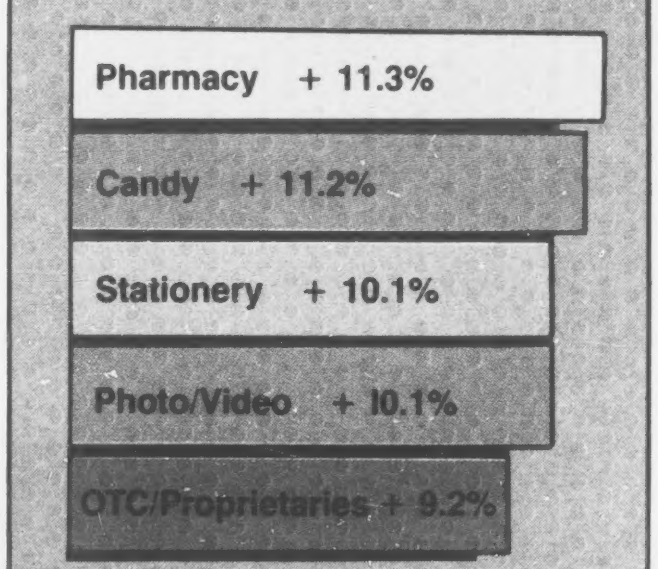
In early April, Pay 'n Save's stock rose $1⅛ in one day to $4¾, with trading during the day going as high as $5⅛. During the last 365 days, the company's stock has ranged from a low of $3 to a high of $8⅛.

Nathanson told *Drug Store News* the cfo was unaware that negotiations have occurred and are continuing. To be clear, he added there are now no "arrangements, understandings, or agreements regarding any transaction and there (is) no assurance that any transaction (will) occur."

This announcement follows continued weak

See **Pay,** *page 244*

1987's big gainers in chain drug stores



Category sales gains are based on *Drug Store News* industrywide survey. Part II of the Annual Report of the Chain Drug Industry, covering product sales and trends, begins on **page 81.**

Bud Fantle launching a chain under own name

WASHINGTON — A new banner will soon fly over the mid-Atlantic drug retail scene.

Dart Drug chairman Sheldon "Bud" Fantle confirmed he is preparing to launch at least five drug stores named Fantle's.

The prototype stores should enable the Fantles to experiment with new retail concepts, which could feed eventually into the Dart chain. Their identity will be distinct from Dart Drug Stores.

The former Peoples Drug chairman

See **Fantle's,** *page 244*

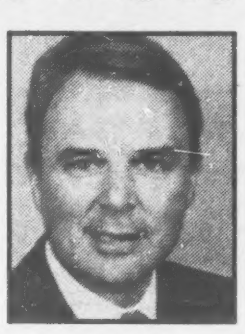
LATE NEWS

- DEERFIELD, Ill. — Aided by a lower corporate tax rate and improved operating systems, Walgreen Co. boosted net earnings 22.5 percent in its second quarter, to $47.5 million. Sales for the period ended Feb. 29 were up 14.9 percent, to $1.35 billion. The chain opened 42 new stores and remodeled 26 others in the first half of fiscal 1988.

- WASHINGTON — In filings with the Securities and Exchange Commmission, Lucky Stores said it would share confidential data with American Stores under certain conditions. American said it is willing to sign a confidentiality pact and negotiate all aspects of its offer to acquire Lucky.

- PORTLAND, Ore. — Fred Meyer named Frederick Stevens as chairman and ceo to succeed retiring chairman Oran Robertson. Stevens was executive vp-specialty retailing at K mart, where he spent 29 years. Robertson, 70, will stay chairman of the executive committee of the board of Fred Meyer, a 99-discount store chain, with 94 pharmacies.

Ziegler fills two key posts and promotes 5 at NACDS



Bergoffen

Briggs

ALEXANDRIA, Va. — Ronald Ziegler, president of the National Association of Chain Drug Stores, has filled two key staff positions and announced the promotions of five other staff to director-level posts.

Gene S. Bergoffen was named senior vp-administration. An attorney with 12 years experience in association management, Bergoffen will assume many of the duties formerly carried out by Bill Welsh, the departing executive vp. The executive vp post will not be filled in the near future, Bergoffen said.

Bergoffen, 49, was employed the past 10 years at

Continued on page 8

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- **Annual report of Rx, OTCs, & home health care departments.**
- **Exclusive HMO contracts**
- **Cardiovascular drug market**
- **Washington Perspective**
- **C.E. lesson: pharmacokinetics**

NEWS IN BRIEF

Swerdin replaces Wasserman at ACDS

Swerdin

NEW YORK — Associated Chain Drug Stores announced the appointment of Burt Swerdin as merchandise counselor of H&BA stationery, candy, photo, and foods. Swerdin replaces Mike Wasserman, who died Jan. 30.

A former H&BA buyer at Caldor, the discount department store chain, Swerdin has 20 years experience in merchandising.

McKee retires after 10 yrs. with Harco

NORTHPORT, Ala. — Russell (Russ) McKee, head buyer at Harco Drug, retired April 1 after 10 years with the Alabama-based chain.

McKee handled the buying of electrical appliances, sundries, candy, housewares, hardware, notions, and hosiery. Frank Gable, vp-sales, said Harco has effected a smooth transition in which buying responsibilities have been realigned and one buyer has been added. Keith Connell continues as director of purchasing.

Mirmelstein buying Revco cosmetics

TWINSBURG, Ohio — Revco has named John Mirmelstein as senior buyer, cosmetics and fragrances. "We're pleased to add John's strong purchasing and merchandising background in cosmetics and H&BA to our revitalized marketing and purchasing efforts," said Jeffrey Doshan, Revco's vp-general merchandise manager. Mirmelstein, 42, was most recently a divisional merchandise manager at Gray Drug Fair, where he was employed for five years.

Schlenker named McKesson nat'l mgr.

Schlenker

SAN FRANCISCO — McKesson Drug Co. president Joseph Polastri announced the appointment of Al Schlenker as McKesson's national merchandise manager, sundries and general merchandise.

Schlenker, 43, is a 24-year McKesson employee who previously held the post of vp-merchandising and inventory management for the recently sold McKesson Office Products. Schlenker's areas of responsibility include general merchandise such as housewares, toys, hardware, automotive, among others and development of national promotions for McKesson's Trade and Travel Show.

Shewmaker named director at Vons

EL MONTE, Calif. — Vons has named Jack Shewmaker, former vice chairman and chief financial officer at Wal-Mart, to its board of directors. The 193-store chain said Shewmaker's retail and supermarket experience will be an additional asset to Vons board. Although Shewmaker remains on the board of Wal-Mart, he announced his retirement from the discounter on Feb. 1.

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Vol. 10, No. 9 April 25, 1988

Boots states its intention to sell 62 Western stores

TORONTO — Boots Drug Stores Ltd. said it will sell 62 drug stores in the Western provinces of British Columbia, Alberta, Saskatchewan and Manitoba.

The abandonment of these markets is being prompted by continued losses, president John Cohen explained.

This will leave Boots — Canada's second-largest drug store chain — with 118 stores in Ontario.

Since the acquisition 10 years ago of the Tamblin drug store chain by England's Boots Holdings Ltd., the company has faced an uphill fight carving a niche in this market dominated by Shoppers, Big V, and other home-grown retailers.

Rumors have circulated for months about the possible sale of all or part of the chain by parent Boots of England.

When pressed in recent weeks, Boots officials declined to comment. However, trade speculation wouldn't go away because industry experts recognized the chain's problems and regarded Cohen as a potential catalyst to a sale of stores.

The company has faced an uphill fight carving a niche in this market.

The appointment of new president John Cohen last year only served to heighten local speculation about the chain's future, despite Cohen's efforts to streamline operations. Cohen, who hails from Boots' English parent firm, was called "an expert on mergers and acquisitions" by one local market observer.

Boots has been stymied by several major problems over the past decade. Among them: a lack of local market expertise among its upper management staff, many of whom came from the United Kingdom and were unfamiliar with Canadian retailing; a central distribution system unable to quickly meet all the inventory needs of its far-flung, 2,000-mile store network, which stretches from Ontario to British Columbia; a highly centralized operating structure that may have discouraged store-level autonomy and incentive; and a mistaken but costly image as a high-priced retailer.

"They've been plagued by distribution problems, image problems, and a lack of direct store management," noted one Canadian retail analyst. "The stores are perceived as being expensive, even though they aren't, and they've had

Continued on page 246

Lucky rejects American's offer

DUBLIN, Calif. — Lucky Stores Inc. rejected as "inadequate" American Stores' $45 per share tender offer for Lucky's common stock and said it is considering alternatives, including a reorganization to focus on its California operations, a leveraged recapitalization, or sale of the company to a third party.

The California-based grocery chain also rejected American's proposal to sweeten the offer to $50 a share—conditional on Lucky's agreeing to a friendly, expeditious deal.

"We are confident that pursuit of one of these alternatives will provide our best opportunity to achieve greater value for our stockholders," said Lucky's chairman and ceo, John M. Lillie.

The leveraged recapitalization, mentioned as one alternative, could involve possible distributions to stockholders by a dividend or share repurchase.

Lucky also said its board had adopted a "poison pill" warrant dividend plan, under which it declared a dividend of one common stock purchase right for each share of outstanding common stock, payable to stockholders of record April 18.

American declined to comment on Lucky's announced rejection. Lucky also declined to comment further.

Lucky operates 342 stores in California—181 in Southern California and 161 in northern California. In addition, it has 94 units in Florida and 49 in its Southwestern region of Arizona and Nevada.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

PITTSBURGH 1928 — The May Drug Company of Pittsburgh figures that a good-looking warehouse can be an advertisement for its business as much as an attractive store. It believes, and backs its belief up with cold money, that the investment represented an efficient and modern warehouse will make a profit just as much as the capital used in opening new stores.

50 years ago

SPRINGFIELD, Mass., 1938 — Heralded by pages of newspaper advertising, spot announcements over local radio stations and a series of 15-minute broadcasts from the store on opening day—on which company officals greeted the public and customers were interviewed—Walgreen Co. opened its first New England store at 1200 Main St., Springfield, Mass. The new store occupies a corner of 50 by 120 feet.

40 years ago

NEW YORK, N. Y., 1948 — Is mail order business important to the drug chains? The National Association of Chain Drug Stores sent a questionnaire to active members in July.

Of the 48 companies that replied, 19 said that they maintain centralized mail order departments, 28 said they handle mail order business but have no separate departments and one said it handles no mail order business. Eight of the 19 which have separate departments answered "yes" to the question: "Is it successful?" The other 11 did not answer this question.

30 years ago

NEW YORK, N. Y., 1958 — Sputniks, mutniks, explorers and vanguards are big news these days and as long as they remain hot copy we presume there will be at least on chain a week that will show in its advertising a ball with a toothpicks and the slogan "Values that are out of this world," or another message similarly phrased.

20 years ago

INDIANAPOLIS, 1968 — Hook Drug in Indiana is taking full advantage of its size with a program that allows chain units to exchange their slow moving Rx merchandise with other units. The plan is called "Profit Recovery Notice" or "PRN." Each Hook Drug unit, spread throughout the state, is asked to select six prescription items that are expensive and salable yet unreturnable. Listed drug are compiled at headquarters and sent back out to stores in the form of an order sheet. Stores can then order needed supplies from the slow moving or over ordered stock of other chain units.

10 years ago

WALNUT CREEK, Calif., 1978 — Long Drug Stores plans to enter the Nevada market early next year with the construction of a 25,000 sq. ft. super drug store in Carson City. The 1979 opening is slated for a strip center location that's expected to include a Lucky's supermarket. The chain's commitment to the site must be long term, because instead of leasing, the Walnut Creek, Calif.-based chain is purchasing the site its store will stand on.

SPECIAL SAMI/BURKE REPORT

Study details journal article's impact on aspirin sales

With this issue Drug Store News *launches a monthly series of articles based on SAMI/Burke statistical data from 54 leading national markets. The articles will focus on sales activity and trends in leading nonfood product categories, and will compare how those categories are faring in drug stores vs. food stores. The comparisons are possible because SAMI/Burke now has a 54-market drug store data base equivalent to the one it maintains for the food store retail class. Each issue will look at different aspects of H&BA product movement data, with particular emphasis on differences in the 54 SAMI/Burke drug and food markets.*

Product movement data from food and drug stores show the tremendous impact that a study published in *The New England Journal of Medicine* had on aspirin sales earlier this year.

The widely publicized study suggested that a regular regimen of aspirin use could prevent many first heart attacks. That study took an earlier study one step further; the initial study focused on aspirin's role in preventing second heart attacks.

In the four-week period ending Feb. 26, the period in which the announcement of aspirin's role as a possible heart attack deterrent was released, sales of aspirin products jumped in both food and drug stores.

In drug stores, overall sales of aspirin products, including aspirin, aspirin compounds, and children's aspirin, were up by almost 20 percent over the previous year, while in food stores the gain was more than 25 percent.

Particularly strong drug store gains were made in plain aspirins (sales up 35 percent) and in children's aspirins (up 61 percent). In food stores, plain aspirin sales for the period rose more than 51 percent, while children's aspirin products increased 6 percent.

The dramatic gains in aspirin sales powered the internal analgesics category to strong gains in both drug and food stores. Internal analgesics, which also include ibuprofens, acetaminophens, menstrual remedies, and arthritis remedies, were up 18 percent from last year's corresponding four-week period in both food and drug stores.

Comparing sales gains in selected leading markets, the SAMI/Burke study showed particular strong drug store aspirin increases in Los Angeles/San Diego, New Orleans, and Boston/Providence.

In the plain aspirin classification, New York was the strongest market, registering a 67 percent gain in the four weeks following the release of the *New England Journal* study.

Aspirin & aspirin compounds: Per household consumption indices for 24 weeks ended Feb. 26, 1988.

Rank	Market	Aspirin Food store index*	Rank	Market	Aspirin Drug stores index*
1	Salt Lake City/Boise	180	1	Boston/Providence	211
2	Pittsburgh	178	2	Cleveland	196
3	Peoria/Springfield	163	3	Hartford/New Haven Springfield	170
4	Seattle/Tacoma	159	4	Albany/Schenectady/Troy	164
5	Houston	140	5	Pittsburgh	143
6	Wichita	137	6	Albany/Greensboro/Winston-Salem	137
7	Grand Rapids/Kalamazoo	135	7	Miami	137
8	Boston/Providence	131	8	Syracuse	136
9	Portland/Concord	127	9	Portland/Concord	134
10	Kansas City	125	10	Baltimore/Washington	127

*Sales in all 54 SAMI/Burke markets combined = 100
Source: SAMI/Burke

National dollar sales trends of aspirin and aspirin compounds in food and drug stores following New England Journal of Medicine report on aspirin use to prevent heart attacks*

Product category/class	Preceding period ended 1/29/88 % change	Current period ended 2/26/88 % change	Year-ago 4-week share	Current 4-week share
DRUG STORES				
Aspirin	+ 0.3	+35.1	8.9	10.1
Aspirin compound	+ 2.3	+12.8	24.0	22.9
Children's aspirin	+ 8.5	+60.7	0.5	0.7
TOTAL ASPIRIN	+ 1.9	+19.5	33.4	33.8
Total internal analgesics	+ 5.2	+18.2	100.0	100.0
FOOD STORES				
Aspirin	+18.8%	+51.2%	9.7%	12.5%
Aspirin compound	+ 1.5	+13.6	21.1	20.3
Children's aspirin	+ 8.3	+ 6.1	0.5	0.5
TOTAL ASPIRIN	+ 7.0	+25.2	31.4	33.3
Total internal analgesics	+ 8.2	+17.9	100.0	100.0
DRUG & FOOD STORES COMBINED				
Aspirin	+11.7	+44.8	9.4	11.5
Aspirin compound	+ 1.9	+13.3	22.3	21.4
Children's aspirin	+ 8.3	+29.3	0.5	0.6
TOTAL ASPIRIN	+ 4.8	+22.7	32.2	33.5
Total internal analgesics	+ 7.0	+18.0	100.0	100.0

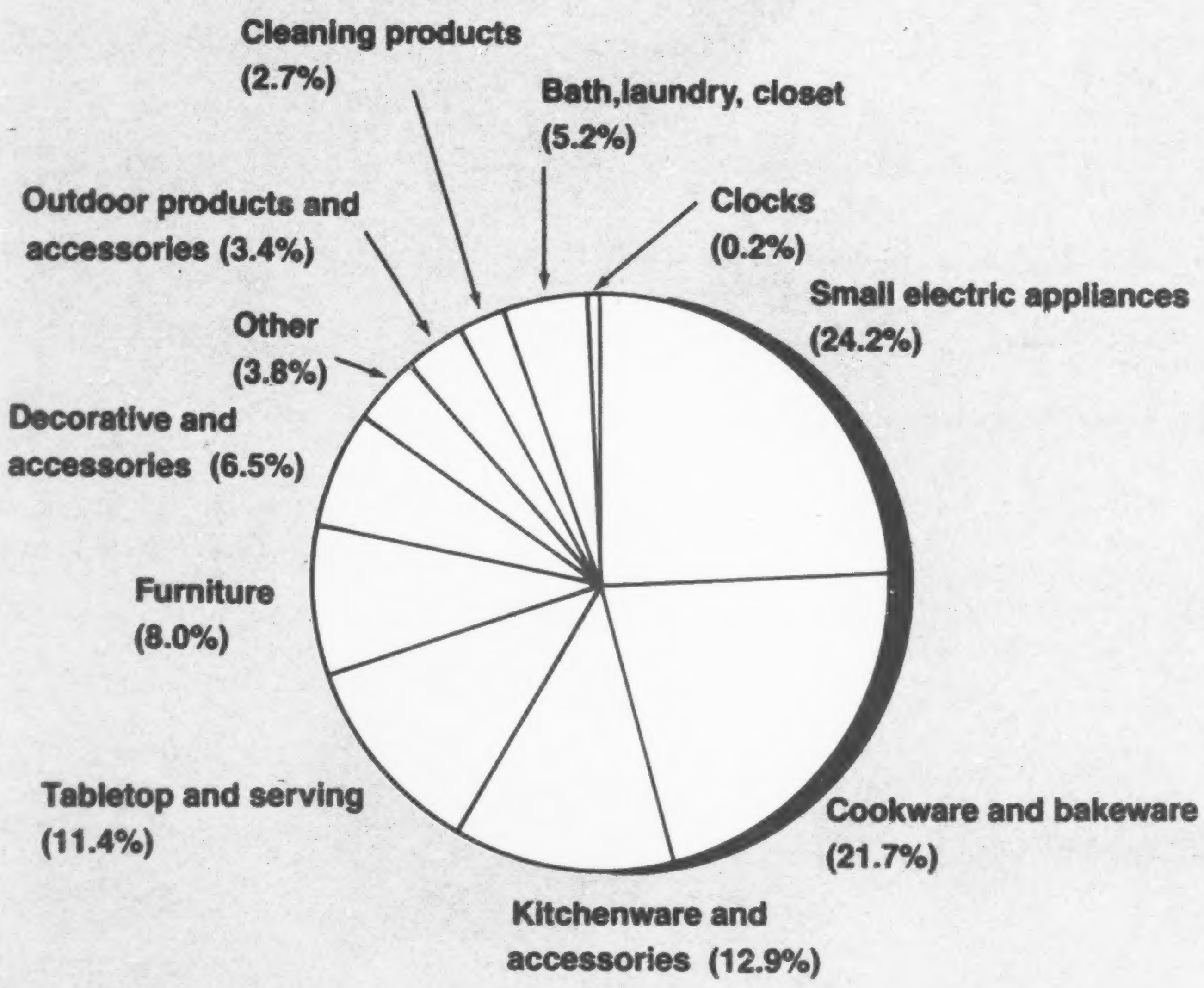
*Periods described are 4 weeks ended Jan. 29 and Feb. 26, 1988, vs. corresponding year-ago periods.
Source: SAMI/Burke

Selected market dollar sales trends of aspirin and aspirin compounds in food and drug stores following New England Journal of Medicine report on aspirin use to prevent heart attacks.*

Market/Product category class	FOOD STORES		DRUG STORES	
	Preceding period ended 1/29/88 % change	Current period ended 2/26/88 % change	Preceding period ended 1/29/88 % change	Current period ended 2/26/88 % change
CHICAGO				
Aspirin	+ 19.5%	+ 48.2%	− 7.1%	+ 29.9%
Aspirin compound	− 3.4	+ 11.8	+21.3	− 6.5
Children's aspirin	− 23.3	+ 13.9	−10.7	+ 68.3
Total internal analgesics	+ 3.7	+ 14.5	+14.6	+ 4.3
MINNEAPOLIS/ST. PAUL				
Aspirin	+ 32.6	+ 29.5	+ 9.0	+ 14.9
Aspirin compound	− 8.1	+ 10.1	−15.7	+ 5.9
Children's aspirin	− 18.0	+ 6.4	−35.3	+ 5.6
Total internal analgesics	+ 0.8	+ 18.2	+10.0	+ 12.3
ST. LOUIS				
Aspirin	+ 4.6	+ 40.0	− 6.1	+ 2.0
Aspirin compound	− 19.1	+ 14.8	− 2.6	− 18.0
Children's aspirin	− 22.3	+ 7.0	− 4.9	+ 56.5
Total internal analgesics	− 9.3	+ 24.5	− 3.2	− 2.9
BOSTON/PROVIDENCE				
Aspirin	+ 13.1	+ 59.3	− 3.6	+ 44.2
Aspirin compound	− 16.3	+ 18.1	− 3.8	+ 11.4
Children's aspirin	− 63.4	− 31.7	+38.3	+ 63.5
Total internal analgesics	− 1.9	+ 31.1	+12.1	+ 21.4
LOS ANGELES/SAN DIEGO				
Aspirin	+ 26.4	+ 59.8	+32.5	+ 65.3
Aspirin compound	+ 19.9	+ 10.5	+25.4	+ 69.8
Children's aspirin	+219.1	− 60.3	+20.5	+ 64.8
Total internal analgesics	+ 28.2	+ 14.6	+35.4	+ 60.0
ATLANTA				
Aspirin	+ 35.2	+117.2	+11.4	+ 4.3
Aspirin compound	− 2.9	+ 29.7	− 4.0	+ 29.2
Children's aspirin	− 4.2	+ 51.5	− 6.8	+100.2
Total internal analgesics	+ 8.5	+ 14.2	+ 4.0	+ 29.4
NEW YORK				
Aspirin	+ 26.6	+ 41.3	+ 5.7	+ 67.0
Aspirin compound	− 3.3	+ 21.4	+ 3.1	− 5.3
Children's aspirin	− 8.3	+ 49.2	+29.9	+ 34.8
Total internal analgesics	+ 12.2	+ 23.7	+ 9.4	+ 12.2
MIAMI				
Aspirin	+ 4.1	− 32.2	+ 9.9	+ 31.0
Aspirin compound	− 0.6	+ 24.8	+17.8	+ 9.4
Children's aspirin	− 6.1	+ 59.7	−20.6	+ 69.5
Total internal analgesics	+ 15.3	+ 7.2	+11.9	+ 21.7
NEW ORLEANS				
Aspirin	+ 15.0	+ 57.4	+33.2	+ 55.3
Aspirin compound	− 5.2	+ 2.5	+34.4	+ 46.3
Children's aspirin	− 12.5	− 4.0	+16.7	+100.1
Total internal analgesics	+ 5.8	+ 12.3	+25.5	+ 38.2
DALLAS/FORT WORTH				
Aspirin	+ 50.5	+ 87.0	+ 3.7	+ 7.2
Aspirin compound	+ 22.5	+ 19.5	+ 5.8	+ 21.0
Children's aspirin	+ 0.8	+ 57.7	−30.9	+ 33.3
Total internal analgesics	+ 28.5	+ 41.4	− 4.8	+ 13.1

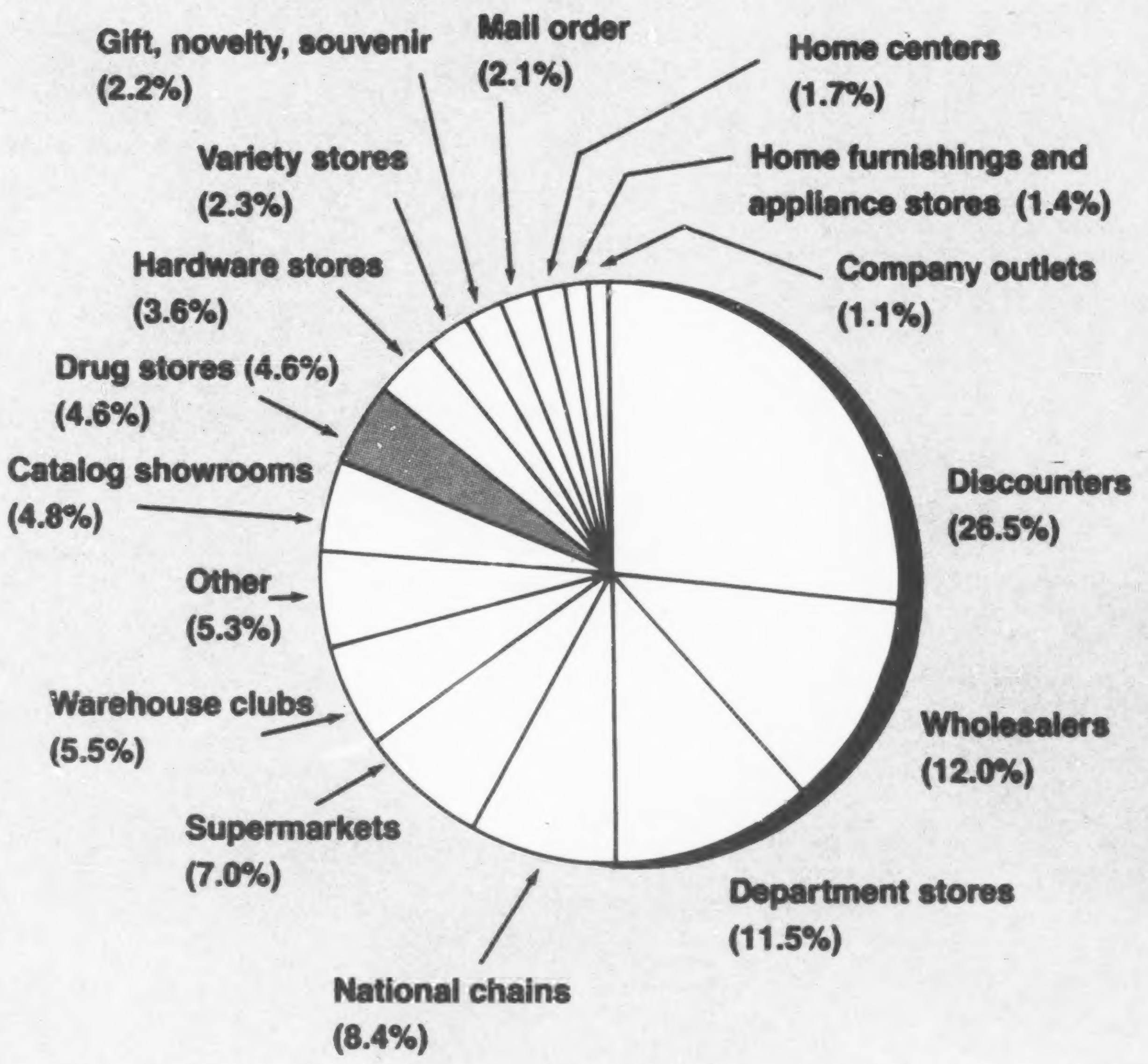
*Periods described are 4 weeks ending Jan. 29 and Feb. 26, 1988 vs. corresponding year-ago periods.
Source: SAMI/Burke

Sales distribution by product category



Source: National Housewares Manufacturers Association

Sales distribution by channel



Source: National Housewares Manufacturers Association

Drug stores earn 4.6% share of housewares

LATEX GLOVES
VACUUM CLEANER BAGS
Longs Drugs

A shopper examines cleaning supplies on Longs' shelves, Horton Plaza, in San Diego.

Small electrical products, as displayed in a Sacramento, Calif., Price Less.

CHICAGO — Drug stores currently vie for 4.6 percent of the growing housewares product sales, according to a recent report by the National Housewares Manufacturers Association.

The 1988 study revealed that drug stores came in ninth in housewares sales.

However, the 7.0-percent share by supermarkets was only slightly higher than drug store sales, and many retail segments, such as home furnishings and appliance stores, variety stores, and hardware and home centers, dropped below the drug store share.

Retailers seemed to emphasize a few key categories. Roughly 59 percent of the housewares dollar volume is generated by small electric appliances, cookware and bakeware, kitchenware, and accessories.

By itself, small electrics accounted for 24.2 percent of industry volume—a category most drug stores include as a staple in their housewares selection. Cookware and bakeware similarly account for a high 21.7-percent share of the sales volume.

Leading housewares manufacturers seemed to follow similar patterns, except that overall tabletop, servingware, and furniture also ranked highly.

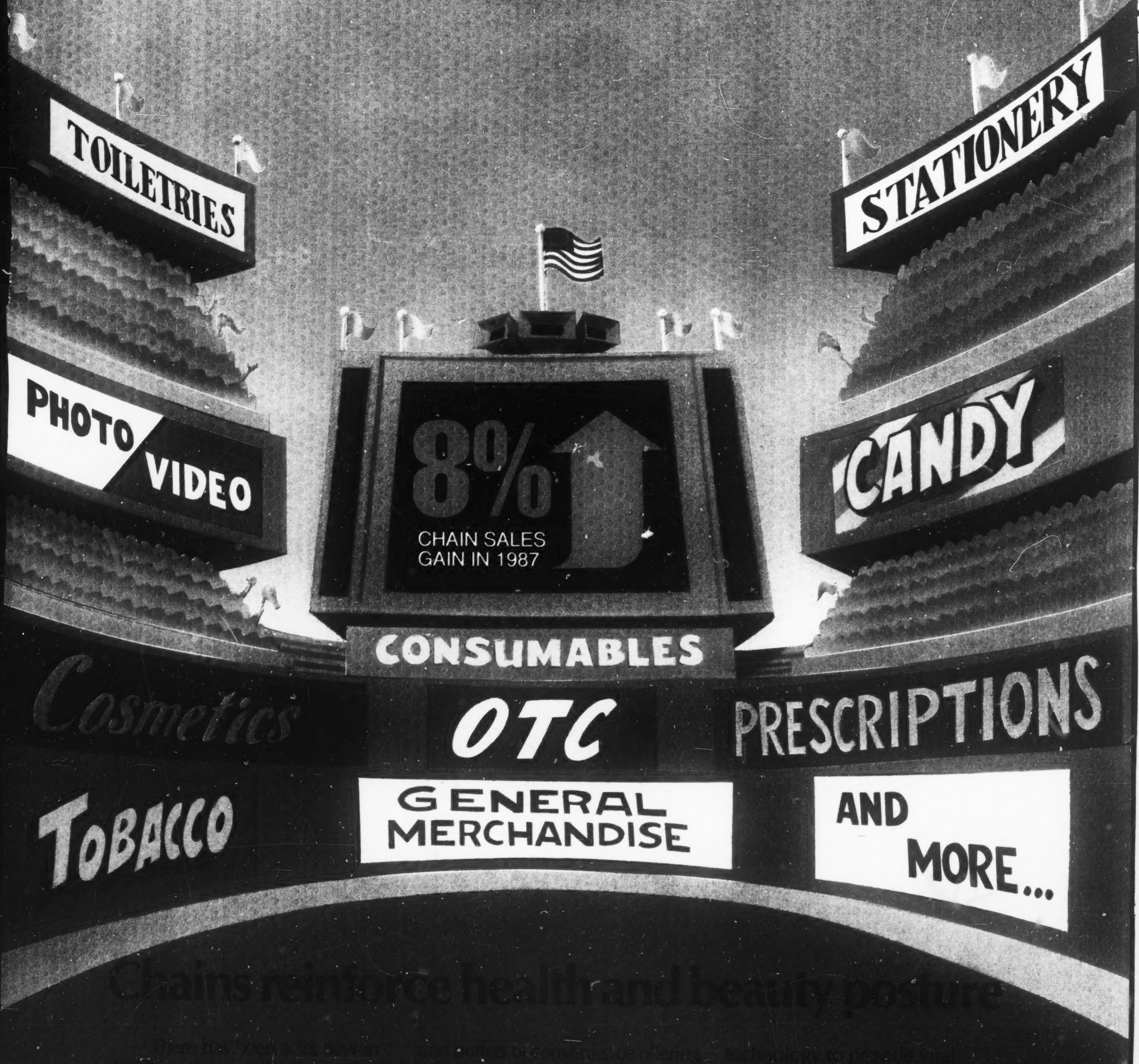
A disparity among housewares vendors was also evident in the NHMA study. About 40 percent of vendor sales are attributable to less than 4 percent of the housewares manufacturing base.

In all, manufacturers are part of a $31.3 billion housewares industry. They revealed that building sales is one of their top priorities, followed in importance by new product introductions, maintaining gross margins, and product colors, packaging, and pricing.

DRUG STORE NEWS®
April 25, 1988

THE 1988 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PART TWO


TOILETRIES
STATIONERY
PHOTO
VIDEO
8%
CHAIN SALES
GAIN IN 1987
CANDY
CONSUMABLES
Cosmetics
OTC
PRESCRIPTIONS
TOBACCO
GENERAL
MERCHANDISE
AND
MORE...

Chains reinforce health and beauty posture

There has been a lot new in 1987 as drug chains [illegible]

and outlets or convenience offering a varied mix and quick in-and-out shopping visits.

What is new: [illegible] advertising and promotional [illegible]

technology to provide vital merchandising information for chains.

Many chains are more aggressively emphasizing [illegible] convenience [illegible]

Continued on page [illegible]

Chains reassert role as primary health care providers

Continued from page 81

10-year sales trends

(in millions of $)
(1985 base equals 100. 1987 equals 115.2)

	1978	1979	1980	1981	1982*	1983	1984	1985	1986	1987
Prescriptions	$3,073	$3,476	$3,983	$4,612	$5,105	$5,927	$6,733	$7,669	$8,475	$9,426
OTC/proprietaries	1,730	1,964	2,235	2,575	2,879	3,201	3,595	4,087	4,468	4,882
Toiletries	1,317	1,484	1,726	2,020	2,271	2,457	2,742	3,047	3,230	3,436
Tobacco	1,089	1,219	1,354	1,518	1,702	1,806	1,979	2,127	2,205	2,279
Housewares	806	920	1,065	1,238	1,389	1,497	1,606	1,676	2,003	2,083
Cosmetics	604	708	831	976	1,107	1,205	1,352	1,481	1,605	1,715
Stationery	614	689	779	888	987	1,069	1,199	1,352	1,488	1,638
Grocery-snack-soft drinks-liquor	549	645	780	934	1,060	1,123	1,209	1,280	1,335	1,433
Photo-video	511	587	680	791	891	1,001	1,114	1,235	1,294	1,425
General merchandise	673	771	893	1,035	1,146	1,227	1,337	1,416	1,212	1,287
Candy	533	568	607	674	753	793	892	973	1,067	1,186
Toys	370	408	464	533	598	632	672	701	690	736
Do-it-yourself	205	237	275	319	356	396	420	425	400	405
Promotional and miscellaneous	366	382	478	562	579	589	657	724	745	817

*Calendar 1982 and prior-year figures restated to reflect change in definition of chains from two or more to four or more stores.

Drug Store News established calendar year 1985 as base year equalling 100. Merchandise growth shown in future census issues will reflect this index.

Source: 1988 *Drug Store News* Chain Drug survey.

in ads and circulars. Walgreens underlines convenience by plugging its 24-hour stores in large type. Peoples stresses, "We're serious about customer service. . .call us with questions, complaints, compliments," and gives an 800 number and its headquarters mailing address.

Eckerd and Rite Aid are among chains that remind customers they redeem manufacturers' coupons just as effectively as supermarkets.

It is becoming commonplace for chains to play up computerized pharmacy services in circulars and ads as a way of building their health care image. Drug Fair of New Jersey, for example, devotes half a page in circulars to explain the benefits of its Safeguard system.

In short, advertising has become a way of getting across all the things a drug store can be.

Drug stores are also acting as "good citizens" by tying promotions in with community service, such as Austin Drug's recent free-condom coupon, which was accompanied by a statement noting the contribution of condoms in fighting the spread of AIDS and giving the U.S. Public Health Service AIDS hotline number.

On a larger scale, Eckerd recently joined with Humana Women's Hospital and a television station in sponsoring its first "Healthy Woman Expo" in Tampa, Fla. More than 2,000 women attended the five-hour exhibition and seminar program, plus jazzercise classes and a maternity fashion show.

> *It is becoming commonplace for chains to play up computerized Rx services to build their health care image.*

A growing appreciation of the benefits of automation—even a sense of its inevitability—has moved many chains to place high priority on installing front-end systems as well as pharmacy computers.

By year end, two-thirds of drug chains will have pharmacy computers chainwide, according to a *Drug Store News* survey. Many will have installed point-of-sale systems as well.

A few chains, such as Walgreens, Rite Aid, Thrifty and Pay Less NW, are embarking on long-range projects that will result in totally integrated systems linking all areas of store and pharmacy operations.

Formats

New formats unveiled over the past year run the gamut of design—some small, some large, some racetrack, some reworked in bold strokes. But all aim at refocusing on core drug store categories.

Crown Drugs of North Carolina underlined its "community store" ambiance in its new, 60- to 80-percent larger format. The chain widened aisles and introduced a diagonal aisle to heighten merchandise exposure, while preserving Crown's service, health care and convenience orientation.

"We have to be and remain a community drug store," said president Ray Gentry, noting the impact of new local competition from combos and mass merchandisers, which he feels is changing consumers' shopping habits.

Both Longs and Pay 'n Save are experimenting with small-store formats to fit special market niches.

Pay 'n Save developed its compact Limited format to exploit small sites in downtown, neighborhood and mall locations. The Limited emphasizes core drug departments, while paring exposure in such categories as snacks and candy, hardware, office supplies and promotional merchandise and elimi-

Continued on page 85

Breakout of 1987 chain drug sales

Department	Total chain drug $ volume	% of increase/ decrease	% of total sales	% Gross margins	Average turns
Prescriptions	$9,425,653,000	11.3%	28.78%	35-40%	6.5
OTC/proprietaries	4,881,650,000	9.2	14.91	30-35	5.0
Toiletries	3,436,466,000	6.4	10.49	25-30	5.0
Tobacco	2,278,527,000	3.3	6.96	15-20	15.0
Housewares	2,082,639,000	4.0	6.36	35-45	3.0
Cosmetics	1,714,891,000	6.8	5.24	35-40	2.2
Stationery	1,638,318,000	10.1	5.00	40-45	4.5
Grocery/snacks/ soft drinks/liquor	1,433,040,000	7.4	4.38	15-20	12.0
Photo/video	1,424,634,000	10.1	4.35	20-25	9.0
General merchandise	1,287,419,000	6.2	3.93	35-45	5.0
Candy	1,186,211,000	11.2	3.62	25-30	7.5
Toys	736,470,000	6.8	2.25	35-40	4.0
Do-it-yourself	404,840,000	1.2	1.24	35-45	3.0
Promotional and miscellaneous	817,343,000	9.7	2.50	15-20	NA

Source: *Drug Store News* survey

Firms take bead on consumers

CHICAGO — Product manufacturers across America are shifting their focus and resources away from national, mass marketing to a more targeted, regional marketing approach, according to a recent survey of sales and marketing executives conducted by Dechert-Hampe & Co.

DHC, a national sales and marketing consulting firm, said the shift responds to fragmented consumer tastes, eating habits, lifestyles and product preferences, as well as trade promotion needs.

"Our survey indicates that the consumer market fragmentation is causing a complete rethinking of how consumer products are marketed in this country," said Lee Nichols, DHC president.

"Many manufacturers and marketers of branded, packaged goods are finding that national mass marketing programs are losing their effectiveness," he continued.

Eighty companies participated in the survey which was conducted last June and July. The majority of participating companies represented large consumer products manufacturers, followed by broker organizations.

Here are some highlights of the survey:

- A majority—85 percent—of respondents perceive a competitive advantage in the regional marketing approach.
- Seventy-three percent of the companies surveyed have already taken steps to regionalize their marketing efforts.
- More than half of respondents (56 percent) have plans to implement a regional marketing program over the next 12 months; 21 percent over the next one to three years.
- Eighty percent said that trade promotions would be regionalized; 78 percent intend to regionalize consumer promotions; 52 percent said some advertising was likely to be regionalized.

When asked about the main benefits of such regional marketing programs, participants listed factors including: the ability to tailor programs better to the needs of local markets; the ability to react faster to trade programs; a better understanding of customer dynamics; and the possibility that someday there would be regional customization of products.

In addition, some respondents saw regional marketing as a way to control trade allowance and coupon spending better.

"At this point, regional marketing won't replace national campaigns," Nichols said, "but we see it rapidly achieving greater importance in the overall marketing mix."

Chains rethink their format, merchandising approaches

Continued from page 83

nating toys. Some general merchandise categories are represented only on endcaps.

Longs' first 9,700-square-foot (selling) Longs Pharmacy, opened last month, "is not a prototype, but it may become one," said Dick Scott, executive vp-operations. Like Pay 'n Save's, this smaller format provides greater market and location flexibility.

It has its own marketing and merchandising strategy distinct from Longs' larger stores, geared strongly toward pharmacy, cosmetics, OTC, candy/snacks and giftware, while retaining some presentation in categories such as gardening and pet supplies.

The Longs Pharmacy has a fountain that is a gathering place for local elderly, and at the same time a convenient takeout counter for the business center lunchtime crowd. Liquor and service photo and cosmetics departments also cater to urban shoppers interested in a quick fill-in visit.

Longs' and Pay 'n Save's smaller formats follow the direction taken by Thrifty Jr., which is sprinting ahead with plans to open 28 Jr. stores in 1988, in addition to the 40 Jrs. it had in operation at the end of 1987.

Phoenix-based SupeRx launched its first racetrack format in January and opened a second one early this month.

Some of the management team was involved with the Hook-SupeRx racetrack store in Nashville, and brought some ideas from that to Phoenix. They expect the design to be more profitable because it can expose "virtually every commodity" in the store. SupeRx is also remerchandising some of its older stores to reemphasize such core categories as pharmacy, stationery and greeting cards.

Merchandising approaches

Combos such as Vons Pavilion and Lucky Advantage are vigorously pursuing core drug store business, causing drug chains to rethink approaches to key departments. [*See stories on Vons Pavilions' revamped cosmetics department, p. 36, and Lucky Advantage's new emphasis on core drug store departments, p. 238 this issue.*]

Peoples Drug Stores, after extensively researching what customers wanted most, is undertaking an ambitious remodeling program that includes new locations and adjacencies to enhance core departments. In the new prototype, toiletries replace sundries on the wall near the entrance, bringing the customer "immediately into the environment of the core drug store," said ceo David Bloom.

Cosmetics move to the front from their former back-wall position, with a central bullpen staffed by a cosmetician, who will be available to help shoppers with hosiery, jewelry, skin care and ethnic products, too. Most general merchandise segments are relegated to back-corner areas.

Perry, in its new prototype, is enlarging its cosmetics section, as well as expanding other categories, including candy, convenience foods, laxatives and eye care. A rethinking of adjacencies produced more natural associations: condoms, for example, are next to feminine hygiene and face men's personal care products.

In other ambitious efforts to build consumer awareness of their cosmetics presentation, Thrifty threw its first World of Style and Beauty consumer cosmetics trade show last summer. Peoples is on its third year of staging its Beauty Expo, having expanded last year to two events a year, one in Atlanta and one in Washington, D.C.

Good performances in '87

The varied efforts by drug chains in markets all over the country resulted in a renewed awareness by consumers that drug stores are expert providers of health care, beauty supplies and other core products.

Chains stepped up their efforts to boost their health care image by giving pharmacy higher visibility and underscoring the pharmacist's expertise in counseling consumers on OTC items as well as prescription drugs.

The nation's avid interest in health care issues and fitness helped OTC sales grow. Among the hottest OTC categories, as revealed in a recent *Drug Store News* survey, were condoms, lens care, home diagnostics, vitamin supplements, cough/cold, analgesics and reading glasses. And during the year many of these segments were moved near pharmacy, if not already located close by, partly so pharmacists could more easily answer patients' questions about those products.

Drug chains are relying more and more on consumables to snare the fill-in shopping visit from supermarkets and convenience stores. Eckerd, for example, puts its snack and food section up front in its Spartan layout to compete for consumers' convenience trips.

Overall, buyers have reported

Continued on page 90

Many classes of trade sell drug store merchandise

Product category	Dept. stores	Discount stores	Food stores	Variety stores	Convenience stores	Catalog showrooms	Membership warehouses
Prescription drugs		B	B				
OTC drugs		A	A	C	C		C
Toiletries	C	A	A	C	C		C
Cosmetics	A	B	B	C			
Books, magazines, greeting cards stationery/office supplies	B	A	B	B	B		C
Tobacco and smoking accessories	C	B	A	C	A		B
Candy/convenience food/beverages		B	A	B	A		C
Housewares	B	A	B	B		A	B
Toys	C	A	C	B	C	B	C
Photo finishing		B	B	C	C		C
Watches & jewelry	B	B	B	B	C	A	B
Do-it-yourself/automotive supplies	C	A	C	C	C	C	B
Video cassettes	B	B	B	C	C	B	
Grocery, beer/wine		C	A		B		A

A. Drug stores face intense competition from these retail formats in these product categories.
B. Drug stores face strong competition from these retail formats in these product categories.
C. Drug stores face moderate competition from these retail formats in these product categories.

Source: Management Horizons, a division of Price Waterhouse

> *The nation's avid interest in health care issues and fitness helped OTC sales grow. Among the hottest OTC categories, as revealed in a recent* Drug Store News *survey, were condoms, lens care, home diagnostics, vitamin supplements, cough/cold, analgesics and reading glasses. And during the year many of these segments were moved near pharmacy, if not already located close by, partly so pharmacists could more easily answer patients' questions about those products.*

PERFORMANCE

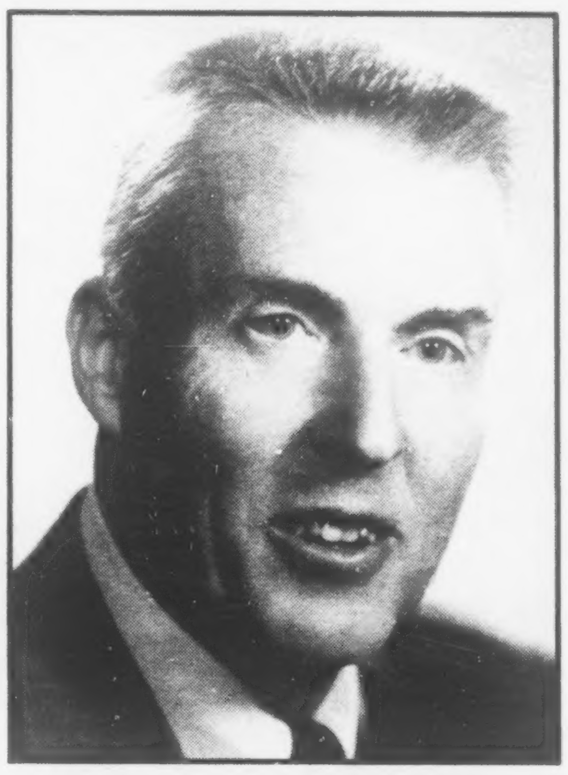
Drug chain executives comment on market conditions

Eugene Applebaum
chairman
Arbor Drugs

"In our market area both the full service Arbor Drug format and the deep discounter have continued to expand at a rapid pace. We believe that, looking ahead, we hold an important competitive edge in the number of our locations in southeastern Michigan, now 77, in addition to our growing appeal to the time-conscious shoppers of the 80s.

"At Arbor we never deviated from our base business strategy with extraneous and often confusing merchandising classifications. A case in point: pharmacy—where we place extraordinary emphasis—now represents 30 percent of our total sales, up from the 25 percent level just two years ago.

"The name of the game, from our vantage point, is the consistency in execution. At Arbor we recognize that our customers place a great deal of emphasis on the value of their own time and on what we do best: provide well-defined assortments of day-to-day needs, present clean and well-stocked stores, and offer good prices."



George H. Bartell Jr.
president
Bartell Drug

"The one thing overriding the drug store industry this year is that competition is not going to diminish, it's going to increase. The country is tending to get over-stored. We're going to see more competition from supermarkets and other purveyors of merchandise.

Because of this, there will be changes in the methods of merchandising. It's obviously going to be hypermarkets, but they're not going to dominate and the same applies to warehouse clubs.

The retail business is a matter of the survival of the fittest. There is a tendency towards consolidation, which is going to affect a lot of the markets. At Bartell, we don't have to switch to a greater emphasis on core drug store merchandising, like some drug chains, because we've always been there. We're only in fourth place in greater Seattle, behind Pay 'n Save, Pay Less NW, Fred Meyer. All of those operate quite large stores, so we can't be in that size store and operate in the marketplace. We have to be more of a neighborhood store, and there is a market for that in this area. This year we'll continue to emphasize the core business because that's where our expertise is: in this market.

Gene Bass
vp merchandising
Bill's

"The main area we're trying to work on this year is to better merchandise the checkstand area. I've custom built some special endstands and we'll be rolling these out to all our stores this year. We have found if the merchandise is properly displayed and priced, it will sell. We're not just selling magazines and film at the checkstands, but expanding into other areas like cosmetics, which have higher margins. Batteries and film still sell best, but videotapes are also selling well. We are also rolling out some clip-strips programs."

Ira Shain
president
Associated

"The merchandising background of a drug chain was the obvious—the core drug store business, which was the pharmacy and other health needs. Through an evolutionary process, drug chains went to sundry merchandise and for many years this was successful.

"However, as specialists came into the field and exploded many general merchandise categories in a single entity, or a 200,000-square-foot store or a warehouse, drug chains started to get hurt.

"So now the trend at drug chains has been a complete reversal. But I think they are wrong—the future of a drug chain is not only a core business. There is a middle ground where they can establish themselves with general merchandise.

"For example, if electronics require service and there is heavy competition, then drug chains should not sell electronics. But if housewares can be handled then that is where they should be and the category should be well covered.

"Space normally devoted to two or three categories, that are not well developed, could be better used if just one category is taken on and the chain makes a stand with it."

Fresh marketing approaches help chains accelerate in '87

Continued from page 85

big sales increases last year in edibles, in part the result of chains' heavy promotions of candy, beer, soda, chips, cookies and packaged groceries.

Some chains, such as Thrift Drug, Peoples and Rite Aid, have expanded their private-label lines into canister snacks and other other edible groceries.

Eckerd and Revco Drug report that installing single-can soda coolers in stores have helped impulse sales and to draw in new business.

Shoppers' craving for candy, a favorite item at checkout counters, translated into an 11 percent sales gain for the category last year.

Stationery continues to be a year-round source of growth for drug chains, with sales up 10.1 percent. Many chains expanded stationery departments last year, often to include more home office supplies, which is a proven hot segment. Sales in greeting cards, the largest component of stationery departments in drug chains, grew 10.3 percent.

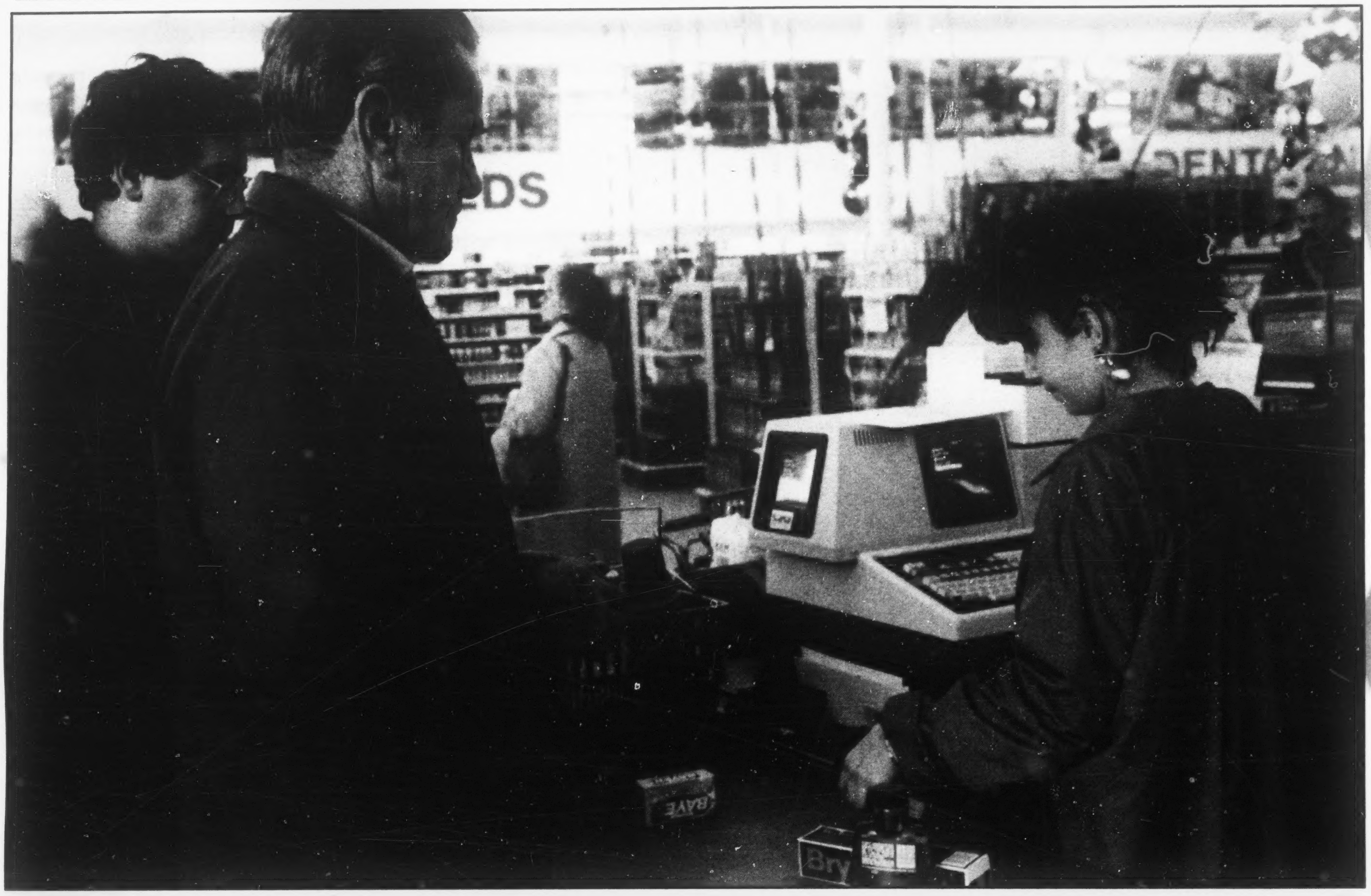
The home video boom has produced impressive growth in sales for drug chains, despite heavy competition. Chains such as Pay 'n Save, Eckerd and Phar-Mor have expanded space and stocked more major brands of blank tapes, to take advantage of consumer demand for high quality.

Americans' enthusiasm for amateur 35mm photography continues to translate into strong sales increases at drug chains, but the proliferation of one-hour photo labs has impacted on both chains and independents, where unit share of photoprocessing volume dropped two percentage points in 1987. Some drug chains—notably Eckerd and Canada's London Drug—have jumped in with their own in-store one-hour labs.

Housewares produced steady, if unspectacular sales gains for drug chains in '87, helped by increased efforts in household supplies, electronic humidifiers, lighting and personal care appliances.

Other categories produced more modest sales growth for drug chains:

- General merchandise/sundries sales were up 6.2 percent last year, with consumer electronics, batteries and sunglasses leading the way. Many peripheral general merchandise items continue to be culled at most chains, but these segments and a few others have gained status as part of the core drug store mix.
- Although sales rose about 6 percent in toiletries in 1987, competition from discounters, food stores and deep discounters made the category particularly competitive for drug chains.
- In toys, basics such as board games led sales. Chains that limited their investment in television toys did best in this category, where sales were basically flat.
- Aided by new fixturing and promotional tactics, drug chains maintained cigarette profits in the face of a unit sales decline at many chains. Smokeless tobacco product sales sagged, but disposable lighters sales grew 2 percent.
- Do-It-Yourself departments helped some chains snare weekday convenience shopping trips, but home center chains have dampened the importance of the category for drug chains.



Middle-aged people are now the fastest-growing group of consumers in the country. Buying power for 35-to-59-year olds is expected to increase 76 percent by the year 2000.

Aging population marks shift in purchasing power

Middle-age group grows
(in millions)

Year	18-34 group	35-59 group	60-plus group
1980	67,976	60,238	35,849
1985	70,986	65,776	39,530
1990	69,323	73,682	42,771
1995	64,222	84,434	43,771
2000	61,061	94,142	45,408

Source: U.S. Census Bureau

Drug store chains won't want to miss July 20, 1988.

According to a new report by *Prevention* magazine on population and spending trends, that date will be a landmark in consumer history, as the 35-to-59-year age segment surpasses in numbers the 18-to-34-year-old segment.

The watershed date has significant repercussions for retailers, since it signals a major shift in spending power toward the middle age group that will occur through the rest of this century.

One notable conclusion of the study—called "The Money's In the Middle"—is that the long-coveted 18-to-34-year-old group isn't the only segment taking a back seat. The middle-agers will also outpace the 60-year-old-plus population group in its forward march.

"The romance with marketers has always been with youth. And I think there has been some problem in having them recognize the magic isn't there anymore," said Sanford Beldon, *Prevention* magazine's publisher.

"Not only are the middled-aged people spending more money now, but it will continue into the next century," said Beldon, adding the study further shows the growth of the 60-plus age group "pales" against that of the bulging middle.

By the year 2000, the number of middle-agers will increase 56 percent from 1980, compared to a decline of 11 percent in the size of the 18-to-34-year-old segment.

The 60-plus age group will increase by 27 percent from 1980 to 2000, the report concludes.

Households led by someone in the middle group will accumulate more wealth faster. Now earning 53 percent of all income, the middle group's buying power will increase 76 percent by the year 2000, when the group will earn 60 percent of all income.

Income in households led by a person in the 18-to-34-year-old group, by comparison, will increase only 11 percent by century's end. Income for those 60 and above will grow by 52 percent.

Prevention's study used research compiled by the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and the Consumer Research Center of the Conference Board, a business-supported, nonprofit research group.

The report shows that middle-age households are already spending significantly more on personal care products and non-prescription drugs than the young segment.

The 35-to-59 bracket spent $11.7 billion on personal care products and services in 1985, 98 percent more than the younger group and 97 percent more than the elderly, according to Bureau of Labor Statistics numbers cited in the report. The most recent year for which the BLS tabulated its survey results was 1985.

Middle-age households spend on average $324 yearly on these products and services, compared to $202 spent by 18-to-34-year-olds, and $225 for the 60-years-and-over segment.

The group spent $4.8 billion on non-prescription drugs and supplies, 145 percent more than the younger group in 1985. Seniors outspent the middle group that year in this category by 1 percent, said the report, which also tracked spending on categories including food, automotive products, and travel.

Buying power shifts
(income, 1985 dollars, billions)

Year	18-34 group	35-59 group
1985	$614.4	$1,247.9
2000	682.5	2,193.2
% change	11	76

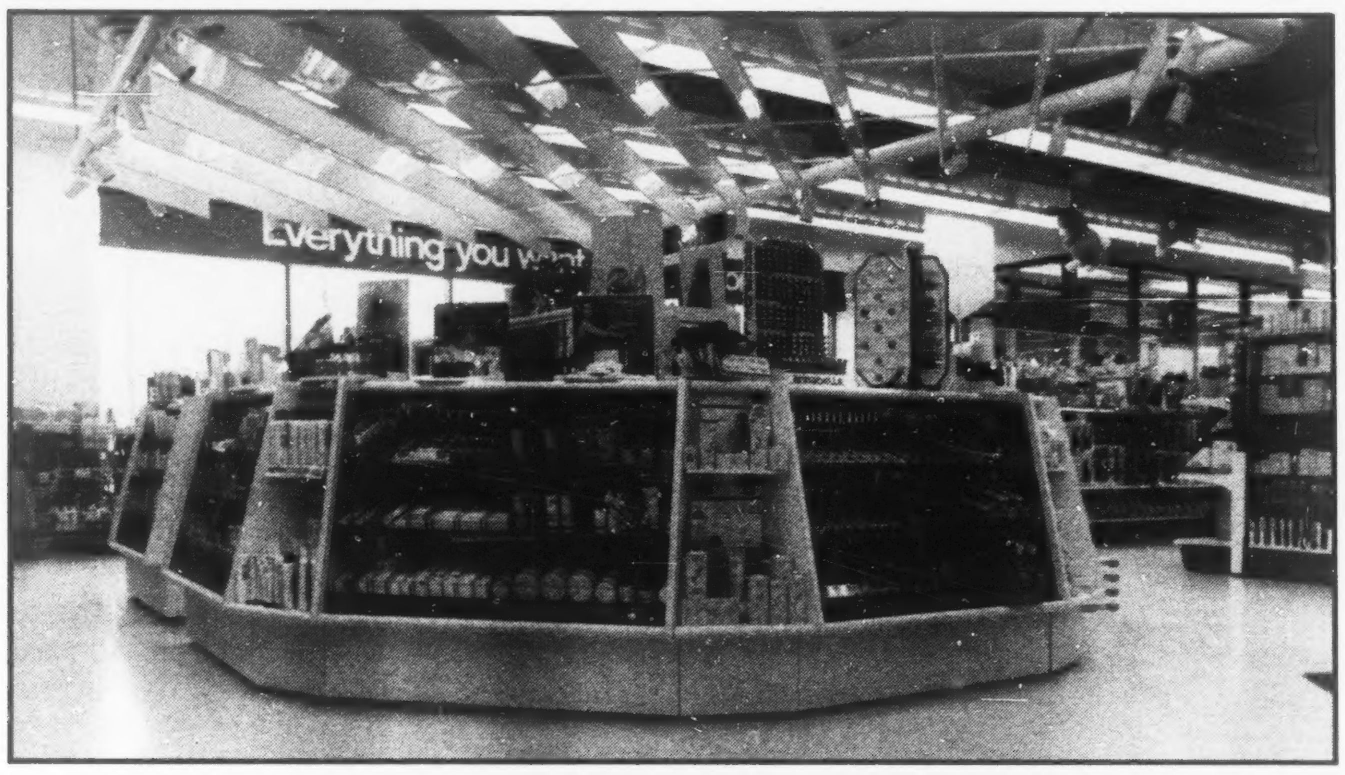
Sources: The Conference Board, *Prevention Magazine*

Older consumers spend more on drug store items
(1985 expenditures in millions)

	18-34 group	35-59	60 plus
Personal care products & services	$5,925	$11,724	$5,807
Non-prescription drugs/supplies	2,001	4,893	4,962

Source: U.S. Bureau of Labor Statistics

PRODUCTS



In the four months since Shoppers Drug Mart has been testing a new cosmetics department design, sales for the department in the test store have grown in double digits. Cosmetics now accounts for about 12 percent of sales in the prototype store, compared to about 10 percent in the traditional Shoppers stores.

1987 cosmetics department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Fragrances	$ 514,987	4.3%	23.10%
Toilet water/cologne	396,150	4.8	17.80
Perfumes	90,820	2.3	4.10
Body sprays	28,017	4.0	1.30
Pegged cosmetics	401,688	9.7	18.00
Facial treatments	239,732	6.8	10.70
Nail polish/nail preps	173,050	10.9	7.80
Bath preps	146,496	7.5	6.60
Lipstick/lip color	143,649	5.9	6.40
Make-up, powder, cream, liquid	95,290	2.9	4.30
Total	$1,714,891		100.00%

Source: *Drug Store News* survey

Chains: Cosmetic and fragrance sales up 7% in '87

1987 cosmetics department highlights

Chain drug cosmetics sales	$1,714,891,000
1987 percentage increase	6.8%
Percentage of total chain drug sales	5.24%
Typical gross margins	35-40%
Industry profit yield from cosmetics last year	$600,000,000 to $685,000,000
Average annual department turns	2.2

Source: *Drug Store News* survey

Cosmetics and fragrances sales were relatively stable in chain drug stores in 1987.

Most buyers say their overall color cosmetics and fragrances sales for the year were up about 6 percent, with a few buyers saying they had growth of 10 percent or better, and a handful saying overall sales were flat.

Based on a *Drug Store News* survey of buyers, total cosmetics and fragrances dollar sales were up approximately 7 percent in chain drug stores in 1987.

Buyers say the established lines continued to perform well in their stores in 1987, with Revlon, Cover Girl, Almay, L'Oréal, Maybelline, and to a lesser extent Clarion, getting the best overall ratings.

In fragrances, buyers continue to single out Lady Stetson, Vanderbilt, and Primo as their best sellers. Xia Xiang, a new launch last year, has gotten a lot of good reports, but the concensus on Cosmair's new Glorious is that it isn't living up to its potential so far.

In men's fragrances, Stetson and Chaps are still the leaders in the mass prestige segment, and Old Spice and English Leather still dominate the male toiletries segment.

Buyers say Coty's new Iron and Shulton's new Night Spice performed well at Christmas, and seem to be the two strongest launches from last year's new pack of men's fragrances.

Musk is still selling well in chain drug stores, and buyers say that last Christmas most of the major musk brands like Jovan Musk, Coty Musk, and Chaps Musk sold well.

The Pierre Cardin Musk, however, and the original Pierre Cardin fragrance did not sell as well, buyers report. Another prestige brand, the two-year-old Adidas line, did better this year than it did last Christmas when it was first launched.

Alternative designer fragrances, with a few exceptions, have not done as well this year as they have in the past. Most buyers say they are now cutting back to just one alternative designer line in their stores, and that line is usually displayed on an end, or in a floor or counter display for maximum visibility.

Primo, however, continues to do well in the category, and buyers are now so comfortable with the line that they treat it as a brand. Primo is usually displayed on a shelf next to its competition from Revlon, Coty, and Cosmair.

Many buyers tell *Drug Store News* they are trying to spark more fragrance sales by giving them more exposure in off-shelf displays and on ad.

Many chains are also trying to modify their operations so that sales clerks can be kept visible in the areas where fragrances are displayed under glass.

Buyers still say that manufacturers need to do more to create "excitement in this category," but some also add that it is the chain drug store's responsibility to "get more creative with our merchandising."

Some chains have also tried advertising a gift with purchase for their fragrances. One buyer said chain drug stores have to do more "than promote price to sell fragrances. We have to do more department store merchandising," she said, "so we can create the right image for the department, and so we can attract the department store shopper."

In color cosmetics, Revlon scored well with its new Anti-Aging moisture and gel line; buyers say Maybelline's new liquid makeup line, Sheer Essentials, is off to a good start; Noxell is continuing to do very well with its Cover Girl Oil Control makeup line, and Maybelline is also doing well with Shine Free.

In fact, buyers tell *Drug Store News* that foundations and powders for oily skin are out-performing the face makeup category as a whole. Noxell recently extended its Oil Control line with a new Cover Girl Oil Control Finishing Powder for the face, and Del Labs is rolling out its first line of Flame Glow face makeups, a 16-SKU line of oil-free foundations, powders, a concealer, and a blush that will all debut later this year.

Buyers estimate that their growth in this oil-free segment is between 10 percent and 15 percent, and sometimes better.

Eyeliners are also continuing to do well in the market, buyers say. So are eye pencils, mascaras, nail color, nail treatments, and eye shadows. Eye treatment creams and treatments designed to alleviate stress lines or aging lines from the face are also doing well.

Last year there were literally dozens of launches in the eye stress-eye rejuvenation category.

Buyers say that some of the brands doing well in that segment include Revlon with Anti-Aging, Max Factor with Erace, Noxell with its Replenishing Eye Cream, and Almay with its Stress Cream and Stress Lotion.

"The department stores have done a lot to popularize this category," said one buyer. "Women who shop department stores sometimes pay $50 to $70 for a jar of anti-aging or rejuvenation cream.

"I think as we build this category up, we can get at least some of those shoppers to trade down, plus we may be able to get some of our regular skin treatment shoppers, who just buy a single item of a mass treatment brand, to trade up to a Revlon or an Almay regimen."

Artificial nails seem to have peaked in mass drug store sales. Lee Nails is still the dominant brand in the category, and buyers say that line continues to sell well. Buyers add that there is none of the dramatic growth that characterized this category just a year ago.

Nail treatments, however, are still going strong, and buyers estimate their sales are still growing at rates of 10 percent and more.

The leading brands continue to be Sally Hansen, particularly with Maximum Growth, and La Salle 10, particularly with No Chip.

Buyers say that treatment sales have been helped by the popularity of nail extenders. "The extenders have made women more conscious of their nails, and sometimes they have exaggerated existing nail problems," said one buyer. "Women who wear nail extenders too long sometimes have problems with their cuticles or their nail beds, so then they turn around and buy a treatment product."

Buyers also say that more women are buying color products now because the treatment products have worked, "and for the first time, they have long, natural nails, that they feel they can color [them] and show off."

In the area of merchandising, many chains continued to try to upgrade their cosmetics departments in 1987.

Peoples Drug in Alexandria, Va. seems to be the most committed to making a major change, and Peoples is in the process of renovating all its stores. In all new and renovated stores, the cosmetics/fragrances department is being brought up front. Service bull pens are being installed in most stores, and there is a whole new decor package for cosmetics that gives the section more of a department store flavor.

Nail treatments are continuing to show strong growth. Some chains say their treatment sales are growing better than 20 percent a year. Most drug chains today give treatment to their own generic set. Their feeling is that the nail treatment customers sometimes have several different treatment problems at once, and that a generic set gives stores the chance to capture related product sales.

Most of the major drug chains, however, are continuing to make subtle rather than dramatic changes to their cosmetics merchandising. Their strategies range from installing new fixtures in selected renovated stores and in many new stores, to trying to improve their mix with the addition of more upscale brands. Many chains are also working on improved training programs for their cosmetics

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PRODUCTS

Overhangs in the cosmetics departments are popular this year. Chains say they attract attention to the department without distracting the customers away from the products as photos sometimes do. The concept first became popular with drug chains in Canada, and is now making its way to the United States.

Cosmetics, fragrances post 7% sales gain in drug chains

Continued from page 97

sales clerks so they can generate more suggested sales, as well as give customers better attention.

Among the chains taking some variation of this approach are: SupeRx Corp.; Columbus and SupeRx of Phoenix; Perry Drug in Detroit; Eckerd in Clearwater, Fla.; Drug Emporium in Cleveland; F&M in Detroit; Fay's; Austin and Genovese in New York State; and K&B in New Orleans.

In the discount store industry, K mart is really striving to improve its cosmetics selection. The chain has installed upscaled new fixtures in over 200 stores, and plans to do about 300 more stores this year, and another 500 next year and the year after.

K mart is also experimenting with new adjacencies for cosmetics, testing it near women's apparel in some stores, and in high traffic aisles in other stores.

K mart's cosmetics buyers are also trying to upgrade the merchandise mix. Their plan is to eventually supplement their fairly broad mix of lower-cost lines with the addition of more mass prestige lines.

In 1987 and so far in 1988, chains have continued to advertise cosmetics aggressively. Many ads try to make a fashion/value statement rather than simply promote low prices.

Buyers say they are looking for more "creative" promotional vehicles from their manufacturers, particularly "exclusive" promotional programs and more gifts with purchases.

Many chains are also continuing to conduct beauty shows as a way of showing the consumer how much fashion their stores have to offer. This year Peoples, Thrifty, and SupeRx all repeated beauty shows in selected markets, and Fay's is doing its first show in Rochester. Eckerd continues to participate in a show staged by the Southern Women's Association.

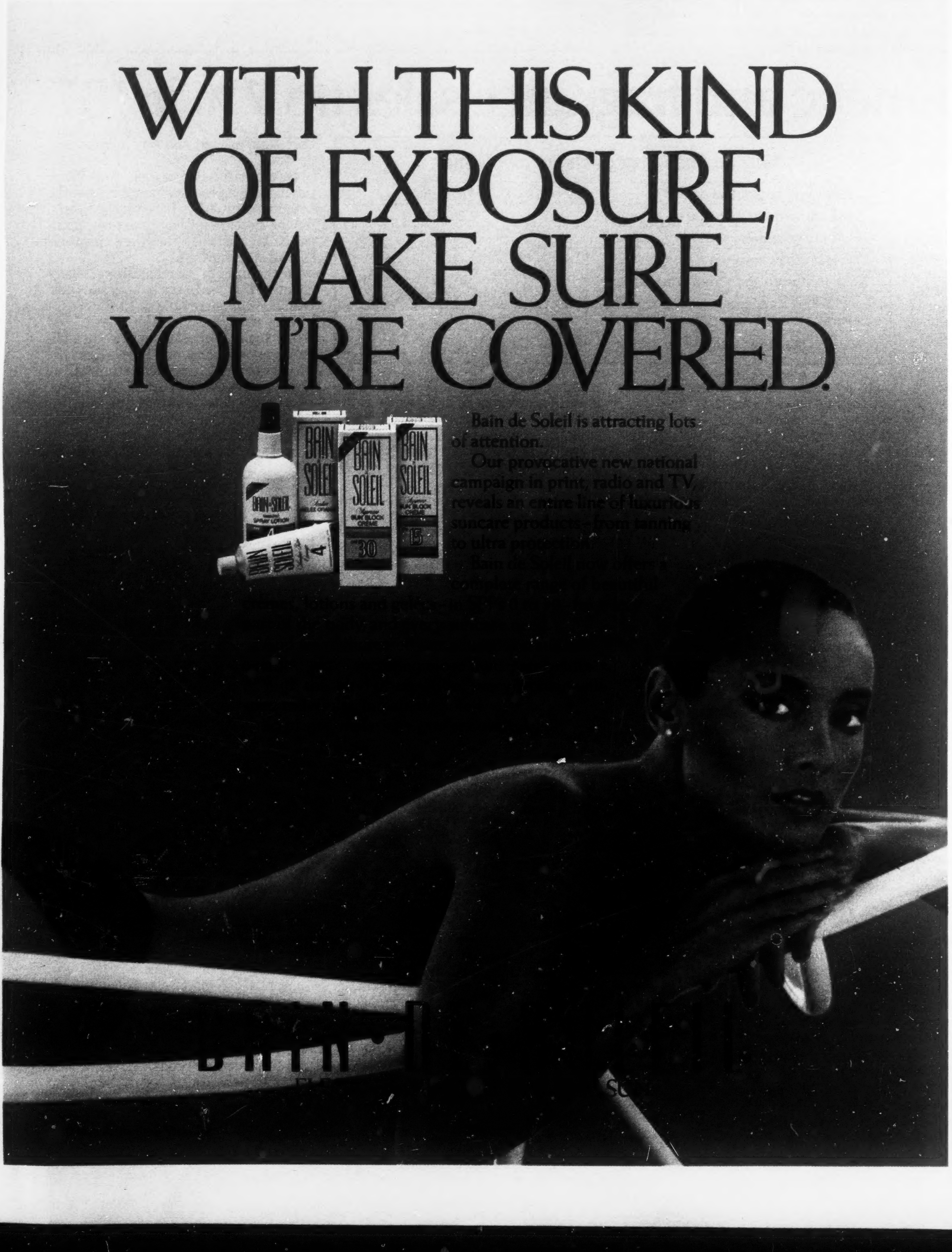
Buyers say that despite the tremendous work involved in staging such shows, they pay off in the long run because of the publicity and "good will" they generate.

Buyers also say that money is not the object in staging such shows. Despite the hefty sums that some chains charge vendors to participate, buyers insist all the money is "plowed back" into the budget for the show. It goes to pay the fees for celebrity guests like soap opera stars and Miss America, and to cover the cost of the production of the show.

In looking ahead to the second quarter of 1988, buyers say they are mainly expecting "moderate growth" from cosmetics, but they say their strategy will continue to be to try to lure department store shoppers into drug stores for the "convenience" of a cosmetics purchase.

At the same time, they are also looking for ways to trade up their current shoppers to make more high ticket purchases in cosmetics and fragrances.

To achieve both these ends, buyers say to expect more upgradings of cosmetics, and a stronger emphasis on service and training of cosmetics clerks.


WITH THIS KIND OF EXPOSURE, MAKE SURE YOU'RE COVERED.

Bain de Soleil is attracting lots of attention.

Our provocative new national campaign in print, radio and TV, reveals an entire line of luxurious suncare products—from tanning to ultra protection.

Bain de Soleil [illegible]

PRODUCTS

Buyer survey reports dip in fragrance sales growth

Chain and independent drug store buyers are telling the investment community that fragrance sales were relatively flat in their stores last winter.

The buyers registered their opinions in a winter 1987 survey just conducted by the New York investment firm, Goldman Sachs. *Drug Store News* will carry an additional report on the Goldman Sachs cosmetics findings next issue.

In this survey, fragrance buyers were more pessimistic about growth in fragrance sales. Some 25 percent of them reported that their winter fragrance sales were down between 1 percent and 5 percent. In comparison, only 14 percent of the buyers in the Goldman Sachs summer 1987 survey reported that trend.

There were also fewer buyers in the survey reporting that winter fragrance sales were up over 6 percent: 29 percent reported increases of better than 6 percent for fragrances this winter, compared to 41 percent who gave that answer in the summer survey.

Fragrance sales have been relatively flat in chain drug stores this year. Buyers say that's partly because the category needs strong merchandising in order to generate impulse sales. Most buyers say the best way to merchandise fragrances is on an island display which gives the category a touch of department store ambiance.

Buyer responses to the unit sales question in the survey confirmed the softening trend.

This period, 78 percent of the survey reported that unit sales were running no better than 5 percent.

Just 60 percent of the buyers in the survey gave that low a response just six months ago.

Only 4 percent of the buyers surveyed this period reported strong unit sales gains above 10 percent, compared to 15 percent who reported the stronger gains in the last survey.

Goldman Sachs reports that these trends "seem to suggest that a number of recent new product introductions such as Glorious, X'ia X'iang, and Lady Stetson have been unable to meaningfully accelerate the overall growth rate of fragrances sold through mass market distribution channels."

Goldman Sachs also reports that more buyers say they saw their consumers trade down in price last winter compared to the summer period.

Some 36 percent of the buyers reported seeing trading down activity in this survey, compared to 16 percent of the buyers noting that trend last summer.

Survey buyers hail from small outlets

The Goldman Sachs fragrance buyer survey is done twice a year: winter and summer.

In the current survey for winter 1987, 88 percent of the respondents were from chain drug stores and the rest were from independents.

In this sampling, the respondents were slightly skewed to small and mid-sized chains.

16 percent of the respondents bought fragrances for chains with more than 251 stores; 16 percent bought for chains with between 100 and 250 stores, and 26 percent bought for chains with between 25 and 99 stores.

26 percent of the respondents bought fragrances for between 1 and 10 stores.

Sachs says "This reverses a trend seen in our past several surveys of decreasing consumer price sensitivity.

"While unit sales gains already appear to be sluggish, we believe that manufacturers may find it increasingly difficult to push through aggressive price increases in the current, uncertain economic environment. Buyer voting seems to support this view."

Buyers also told Goldman Sachs that there hasn't been any meaningful acceleration in mass market fragrance pricing in the last six months. However, the fact that they are simultaneously reporting that consumers are becoming more price-conscious causes Goldman Sachs to speculate that "sluggish demand may be enough to prevent meaningful price inflation in the mass market fragrance area."

For the first time, Goldman Sachs also asked fragrance buyers to select an all around "best vendor, best vendor sales force, best new product," and other categories.

The winners were:

- Best sales force: Coty
- Best advertiser: Coty
- Best new product or line: X'ia X'iang
- Best small vendor: Parfums de Coeur
- Best "all around" vendor: Coty

Sachs says Coty "easily outdistanced the competition" to finish as the buyers choice for best sales force. Runner-ups were Houbigant and the Cosmair Designer Fragrance Division, but Sachs says they finished "way back in the pack."

Coty had to run a much closer race to win the award for best advertiser. In that voting, Coty just managed to "nudge out" Revlon, Sachs says.

Sachs says that Coty, which has given considerable marketing support to its Stetson, Lady Stetson, and new Iron brand, "clearly supplements service to retailers with a strong national as well as regional advertising campaign."

Revlon, Sachs concluded, recently revamped its advertising strategy and increased its fragrance marketing budget, and was successful enough to give Coty a tough challenge for the top spot.

X'ia X'iang took the award for best new product. Runners-up were Glorious, Iron, and Night Spice. Coty's Lady Stetson, actually launched in 1986, also got mentioned as one of the best new lines.

However, Goldman Sachs also cautioned that the Glorious launch "may be falling short of expectations."

Sachs acknowledged that Glorious wasn't fully rolled out at the time of the survey and that it may still be "too soon to tell," but they said the fact that Glorious failed to make the list of best-selling fragrances and did not show up "strongly" in the mentions for best new products was cause to wonder about the strength of the launch.

Parfums de Coeur was chosen as the best small vendor. The vote was close, with Dana Perfumes, which markets Canoe and Ambush, finishing in the runner-up position.

Because Parfums does not have its own sales force, but almost exclusively uses manufacturer sales reps to sell its fragrances, Sachs called Parfums victory in the voting "most impressive" and said that it "points out the strong foothold this marketer of designer imposter scents has established in mass market distribution channels."

Buyers report on winter fragrance sales performance

	Dollar sales		Unit sales	
	Winter '87	Summer '87	Winter '87	Summer '87
Down 1% to 5%	25%	14%	25%	14%
Up 0% to 5%	46	45	53	46
Up 6% to 10%	25	28	18	25
Up 11% to 15%	0	7	0	11
Up 15% and over	4	6	4	4

Source: Goldman Sachs Winter '87 Fragrance Buyer Survey

Coty had some competition for the all around best vendor award. Sachs says there was strong voting for Houbigant, Cosmair, Parfums de Coeur, and Revlon.

But Sachs said the buyers in this survey "clearly view Coty as being superior marketers in terms of advertising and service."

Sachs also pointed out that it wasn't surprising that 60 percent of the survey respondents also reported they were increasing space for Coty fragrances.

Coty's Stetson and Lady Stetson also "perennially appear on Sachs's list of best selling men's and women's fragrances.

Best-selling fragrance brands according to buyers

(% of respondents)

Men's Fragrances	
Stetson	71.1%
Polo	32.2
Chaps	25.6
Old Spice	21.1
Women's Fragrances	
Vanderbilt	58.9%
Primo	27.8
Lady Stetson	17.8
Chanel	14.4
Forever Krystle	14.4

Source: Goldman Sachs Winter '87 Fragrance Buyer Survey

Only 11 percent of the buyers reported decreasing space for Coty.

Buyers also said they were giving more space to the Cosmair fragrances. Some 50 percent of the buyers reported they were increasing space for Cosmair while just 11 percent said they were decreasing space.

Charles of the Ritz did better in this survey than in the earlier summer '87 survey: 35 percent of the buyers said they were increasing space for Ritz, versus 12 percent who said they had that intention in the summer survey.

Some 30 percent said they were decreasing space for Ritz, however, and that is still a high pecentage compared to the responses for other brands.

This period, more buyers said they were decreasing space for Adolpho, Albert Nipon, and Bonne Bell.

Fabergé showed an improvement with only 30 percent of the buyers saying they were decreasing space compared to 50 percent last summer.

The majority of buyers also said they were leaving space unchanged for the following brands: Dana, Arden, Jovan, Factor, and Nina Ricci.

The majority of buyers picked Stetson, Polo, and Chaps as their best selling men's fragrances, and Vanderbilt, Primo, and Lady Stetson as their best selling women's fragrances.

About a third of the survey respondents reported that women's fragrance sales were "above average" during the winter period while 55 percent said they were average.

Only 7 percent of the buyers, however, reported that men's fragrance sales were above average while 80 percent said they were just "average."

Most buyers, 80 percent, said they were leaving selling space for men's fragrances unchanged. Ten percent said they were increasing space and 10 percent said they were decreasing it for this category.

PRODUCTS

Many drug chain buyers are moving to a "less cluttered" presentation of cosmetics products in their stores. They say the category does best in a "clean environment" with uncluttered aisles and lots of elbow room for browsing.

Cosmetics buyers are hoping to get some of their teenage and younger consumers to trade up to higher ticket purchases in their stores. Retailers say the mid-priced lines like Cover Girl and Maybelline are selling fine, but they'd like this segment to buy more Revlon and L'Oréal too.

Cosmetics
ALMAY
Maybelline
Cover Girl
SUMMERPROOF

Chain drug stores are trying to make more of a fashion statement with their cosmetics merchandising. They want their stores to look like they have the latest hot products, and are as attractive and exciting to shop as department stores.

STETSON STETSON STETSON STETSON
JOVAN
MUSK

Men's fragrance toiletry sales have been flat in chain drug stores this past year, buyers say. Musk is still selling well, but so are the basic toiletries like Old Spice and the prestige brands like Stetson and Chaps.

Demographic trends lead to cosmetic profits: U.S.

WASHINGTON—Cosmetics sales will continue to grow by more than 2.5 percent per year through 1992 if drug store retailers adapt to the changing makeup of U. S. consumers.

According to a recent U. S. Department of Commerce report, industry shipments of all cosmetics, toiletries and fragrances will reach an estimated $13.6 billion in 1987, a rise of 3.6 percent. However, to realize the forecast growth for 1988 (about 2.5 percent after adjusting for inflation) and later years, cosmetics sellers must offset the decline in the number of prospective teen and young adult customers by tapping the 45-55 and over-65 age groups, "two of the most rapidly growing segments of the U. S. population."

"These demographic changes open up opportunities for new skin, hair and oral hygiene products, including moisturizers, skin lotions, desensitizing and antiplaque toothpastes and hair conditioners," said government researchers. "The current emphasis on health and fitness should also spur sales."

Cosmetics sellers must offset the decline in teen and young adult customers by tapping the 45-55 and over-65 age groups.

Another key to improving cosmetic sales in coming years is the skyrocketing market for ethnic beauty aids.

"Sales of skin treatment, hair and makeup products for the ethnic market could double in the next five years, depending on the availability of products suitable to specific hair and complexion requirements," economists predicted. Researchers estimate the current ethnic market at about 50 million consumers, including between five and six million black women who work outside the home.

Long-term projections for growth in beauty aid sales will be affected by development of new products for "aging skin," as well as sunscreens, tanning accelerators and tan-sustaining products, according to predictions. After allowing for inflation, government forecasters said cosmetic shipment value should rise 2.6 percent annually over the next five years.

At the same time, drug store cosmetic sales, specifically, may suffer from growing competition from hair stylists, based on salon performance last year.

"Beauty salons, an important outlet for cosmetic products, are expected to show retail sales of $1.4 billion for 1987. . . their potential as outlets is still far from being realized. . . ," economists said.

PRODUCTS

Competitive pressures make toiletry sales hard won

A majority of chain drug store retailers say their 1987 sales rose in toiletries, but the gains were hard won. A *Drug Store News* survey of toiletry buyers and merchandisers puts the average sales increase for this department at about 6 percent in 1987.

Competition from discounters, food stores and deep discount drug stores made the toiletries category particularly competitive for chain drug merchants last year.

Mass merchandise stores and food stores continued to expand their assortments of toiletries, and buyers say these retailers were exceptionally aggressive with the commodity categories like shampoo, styling aids, hair sprays, mass skin creams and lotions, deodorants, shaving creams, and men's toiletries.

Buyers for some of the smaller regional chains complained that they weren't able to advertise some popular brands like Ivory or Flex shampoos because there was "no way" they could compete with the bigger food chains or with the mass merchandisers, like K mart or Wal-Mart.

However, the pressure of competition did give buyers an incentive to be more creative with their advertising programs. Some buyers found a solution in advertising brands, in new or emerging drug store categories, as in professional hair and professional nail care supplies.

Others looked for fashion items like hair clips and hair barrettes or cosmetics organizers to advertise. Others went with exclusive promotions in which their stores could give away something that competitors couldn't get, such as tickets to a local tennis tournament or basketball game.

A number of chains, for example, including Walgreens and Eckerd tied in with the still ongoing La Sallé 10 International company's Virginia Slims tournament promotion.

La Sallé, which is one of this year's tournament sponsors, is making tickets available to retailers who promote their line. The retailers, in turn, are offering their shoppers a free ticket with a minimum La Sallé purchase. Perry Drug in Michigan tied in to a similar promotion with Revlon's Professional Hair Care Division for a Pistons basketball game.

Buyers also tried very hard last year to lock in to category growth trends, and to be the first in their markets to either stock or promote fashion items like a Stiff Stuff styling spritz or a sunblock with colored zinc.

In 1987, buyers also said they were under pressure to improve margins as well as generate traffic.

"On the one hand, we have to come up with an advertising program that will create traffic," said one buyer for a Northeast chain, "on the other, we have to protect our gross margins. The two goals can be mutually exclusive unless you're very creative."

Buyers say that their best chances of finding a profitable "hot" item to promote comes from segmenting their categories. Shampoo, for example, is not a profitable category when it's featured on ad, but mass prestige shampoos and salon-originated shampoos can be very profitable when advertised.

These are still relatively new categories for drug store retailers, buyers say, and so there is less competition from chain food and chain mass merchandise stores.

Buyers can advertise a Pantene, a Vidal Sassoon, a Redmond or a TRESemmé for 20-percent to 30-percent off their everyday retails and still make margins of 30 percent or better.

And because these lines are hot now, they also sell well off their shelf at margins of 40 percent and 50 percent and better.

Buyers say they are also applying this strategy to beauty care accessories like hair barrettes and clips, cosmetics organizers, hair brushes, personal care appliances, and bath sponges in personal care.

In 1987, there weren't many dramatic growth categories in toiletries, but there were a few: Suncare continued to be a very strong category with growth up more than 10 percent in many chains.

Buyers say their best brands were Coppertone, Bain de Soleil, Hawaiian Tropics, Pre-Sun, Shade, Sun Down, Cancer Garde, and some lesser known lines like Banana Boat and Gorilla Grease.

High SPFs continued to outpace the lower SPFs in growth, but tanning products also continued to do well in chain drug stores.

In 1987, many drug chains decided to make sun care a year-round category. Most chains are now merchandising the category next to their skin care lines in a two to 4-foot year-round planogram.

A few chains, such as Eckerd Drug, are also cross merchandising some of the higher SPF brands like Cancer Guarde, Pre Sun and Sun Down near the pharmacy. "Some consumers are confused by all the different SPF numbers," said one buyer, "so if we put a display near the pharmacy, we make it easier for our shoppers to ask for help from the pharmacists. It's also a good way for us to get our pharmacists involved with our customers."

Skin care also enjoyed moderate growth as a category in 1987, but buyers say certain brands did exceptionally well this year, including Lubriderm, Curel, Soft Sense, Jergens, Nivea, and Neutrogena.

Buyers say that consumers seem to be buying more of the better or higher priced mass skin care brands, and some chains reported what they think is a trading up of sales to the franchised skin care lines like Almay and Overnight Success.

Buyers say Almay's skin treatment sales were particularly strong last year, and Max Factor's skin treatment sales were also up moderately.

In hair care, mousse was still flat or down in most chain drug stores. The best sellers were leading brands like Clairol Condition and L'Oréal Freehold.

The styling aids category, as a whole, however, was up in chain drug stores in 1987. Gels continued to show very dramatic growth and spritzes were also very popular. Stiff Stuff continued to be a best seller, but the new Salon Selectives styling aids were selling well and so were the styling aids from some of the top mass brands like Finesse, Revlon, L'Oréal, Clairol Condition, and Vidal Sassoon.

Hair sprays also did well this year, especially the Clairol sprays and Aqua Net.

Buyers say the styling aids are growing because of today's fashion styles. Both women and men are wearing their hair in a variety of styles ranging from soft to spiky, and the styling aids are necessary for both hold and body.

Styling aids that add sheen or shine to the hair are also popular.

In budget lines, Gillette's White Rain is doing exceptionally well, especially in the South and Midwest markets.

Buyers say the new hair care launches are all selling reasonably well. Helene Curtis's launch of Salon Selectives seems to be the most successful, but Textra has done well,

Continued on page 106

1987 toiletries department productivity at chain drug stores

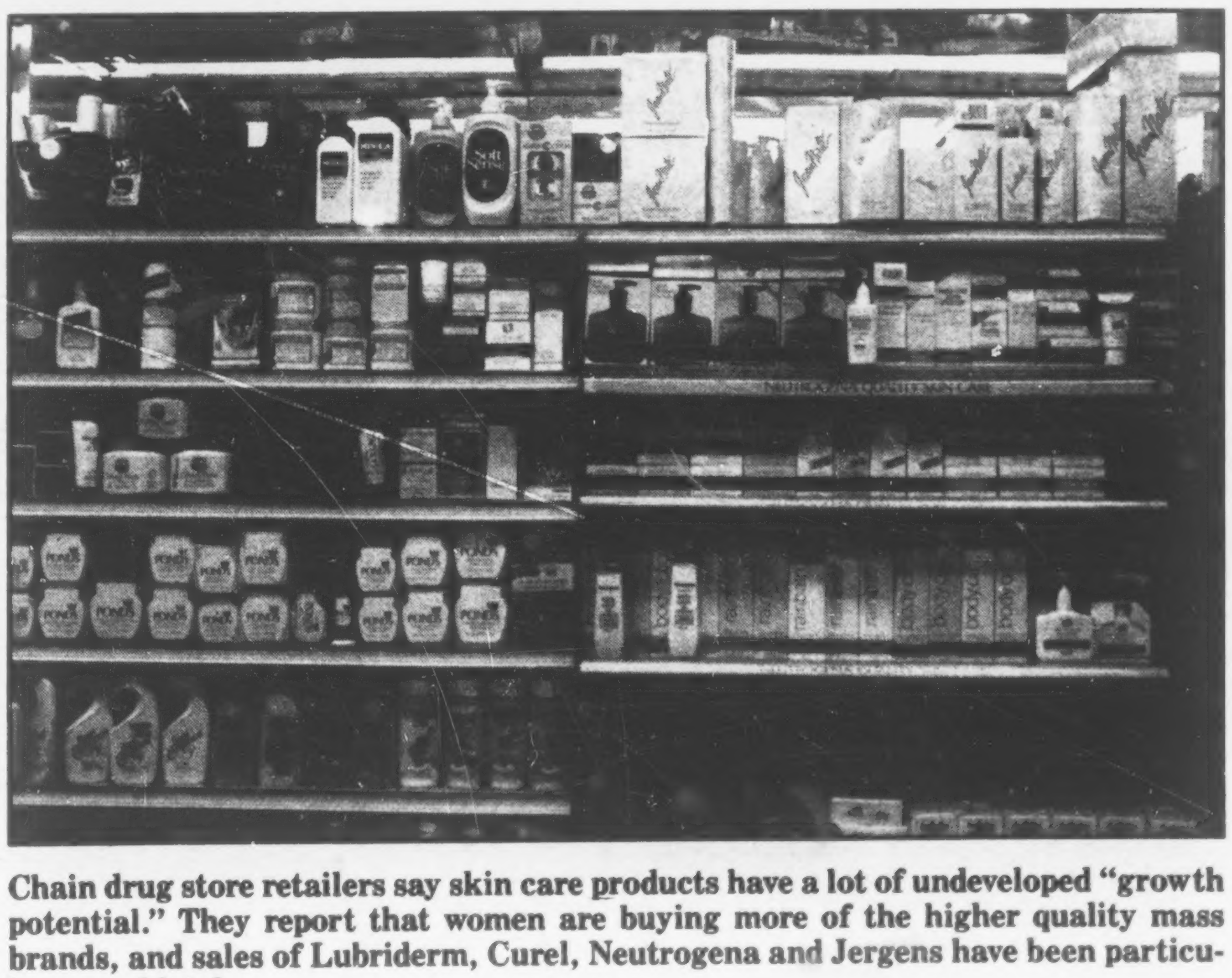
Category	1987 Total sales (add 000)	% of increase	% of sales
Handcream/skincare	$ 428,767	8.0%	12.48%
Deodorants	390,102	5.4	11.35
Men's toiletries	377,243	4.0	10.98
Shampoos	358,886	4.3	10.44
Hair color	312,980	7.0	9.11
Ethnic (incl. black cosmetics)	246,812	8.5	7.18
Rinses & conditioners	222,050	3.0	6.46
Suntan/sunburn	167,989	10.1	4.89
Razors (incl. disposable blades)	156,598	6.2	4.56
Body creams & lotions	146,579	2.2	4.27
Hair sprays	145,386	13.3	4.23
Hair notions	128,028	10.1	3.73
Styling aids	66,428	13.3	1.93
Shave creams	55,430	8.3	1.61
Perms/straighteners	26,156	4.5	0.76
Depilatories	11,632	8.5	0.34
Miscellaneous	195,401	4.8	5.69
Total	$3,436,466		100.00%

Source: *Drug Store News* survey

1987 toiletries department highlights

Chain drug toiletries sales	$3,436,466,000
1987 percentage increase	6.4%
Percentage of total chain drug sales	10.49%
Typical gross margins	25-30%
Industries profit yield from toiletries last year	$860,000,000 to $1,030,000,000
Average annual department turns	5.0

Source: Drug Store News survey



Chain drug store retailers say skin care products have a lot of undeveloped "growth potential." They report that women are buying more of the higher quality mass brands, and sales of Lubriderm, Curel, Neutrogena and Jergens have been particulary good lately.

Do Something Beautiful For Your Hair
WELLA BALSAM
59¢
2 oz. Trial or
BUY NOW
UNADVERTISED SPECIAL
TRIAL SIZES for TRAVEL

Retailers say their sales of trial-size hair and skin items are growing at "breakneck speeds." Buyers say the small sizes are perfect for generating trial purchases.

Competition makes toiletry sales hard won

Continued from page 105

Clean and Clear from Revlon is doing very well, and TRESemmé is selling very well as it continues its transition from salon to retail.

Jose Eber, however, is still not available in all markets, and buyers say that where it is available, it is selling "okay, but not spectacularly."

In men's toiletries, Old Spice, Consort and English Leather did well, but the category itself was not particularly dramatic.

The men's toiletries category still seems to be fairly well divided between the mass prestige brands like Stetson and Chaps, and the toiletries brands like Brut and Old Spice.

Most buyers say the growth is with the mass prestige brands, but that the toiletries brands still have a "huge core of loyal users" and these users do not seem to be trading up.

According to buyers, depilatory sales were also pretty good this year. Again the better known brands did best in this department.

Ethnic was still a troubled category, but buyers who promoted and featured the category reported relatively decent growth. Products that gave sheen to the hair and products without oil or alcohol sold the best, and buyers had the best things to say about the more established brands: Soft Sheen, Curl Free, Posner, Dark 'N Lovely, Pro Line.

In merchandising, no revolutionary trends were apparent. In Detroit, Perry Drug tried merchandising franchised skin creams with mass brands in the toiletries department, near cosmetics.

VP of merchandising Steve Lund says the experiment is working well and that franchised skin cream sales are "better than what they were when they were merchandised in cosmetics.

"With Revlon, we outperformed the industry on sales increases, and we're pretty satisfied with the results."

Most other chains, however, continued to keep their franchised and mass skin creams separate in 1987.

Many chains, however, have begun to create year-round sets for sun care as well as separate sets for professional and prestige hair care lines.

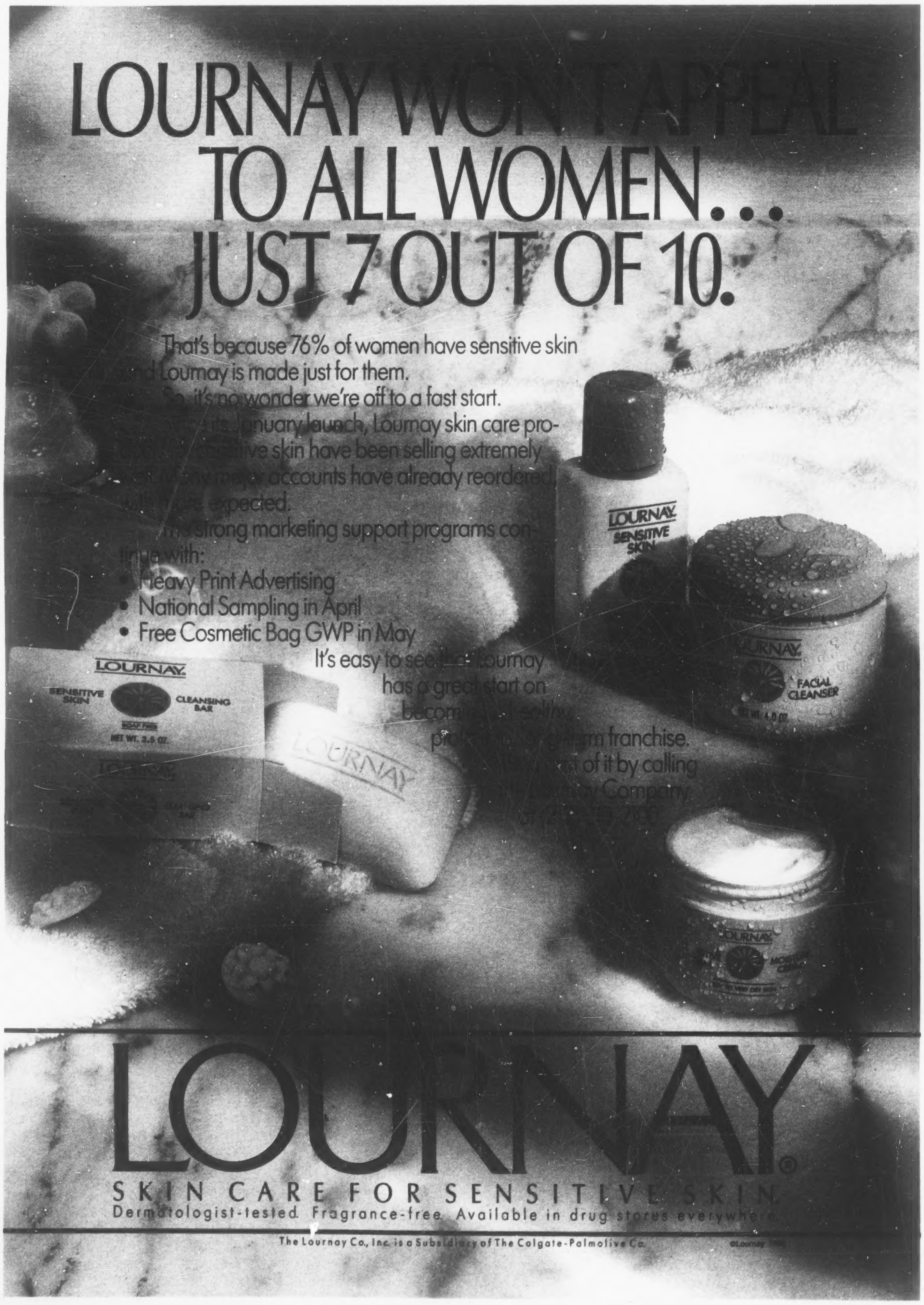
Most chains now merchandise professional/prestige hair lines in a separate set between mass shampoos and conditioners. Some chains also give professional/prestige styling products secondary positioning within the styling sections.

Buyers say these sets make the higher priced brands easier to find and also help generate more incremental sales.

"Someone who uses a TRESemmé shampoo is also going to probably want the TRESemmé conditioner and the TRESemmé sprays and styling aids too, so these sets make it easier for our shoppers to buy the family line," said one merchandising vp.

At least one chain has also decided to move hair color and mass skin creams much closer to the cosmetics department. Peoples Drug, which is in the process of reconfiguring their stores to this layout, says it helps hair color sales because customers can find someone to answer their questions.

Their management also says the adjaceny is logical and natural because women buying cosmetics are inclined to browse through toiletries.


LOURNAY WON'T APPEAL TO ALL WOMEN... JUST 7 OUT OF 10.

That's because 76% of women have sensitive skin and Lournay is made just for them.

So, it's no wonder we're off to a fast start.

[illegible] its January launch, Lournay skin care pro[illegible] sensitive skin have been selling extremely [illegible] major accounts have already reordered [illegible] expected.

[illegible] strong marketing support programs continue with:

- Heavy Print Advertising
- National Sampling in April
- Free Cosmetic Bag GWP in May

It's easy to see [illegible] Lournay has a great start on becom[illegible] pro[illegible] term franchise. [illegible] of it by calling [illegible] Company [illegible]

LOURNAY®

SKIN CARE FOR SENSITIVE SKIN

Dermatologist-tested. Fragrance-free. Available in drug stores everywhere.

The Lournay Co., Inc. is a Subsidiary of The Colgate-Palmolive Co.

©Lournay [illegible]

Bonus and value packs keep ethnic sales afloat

Ethnic consumers are not buying the high ticket after care products as often as they once were. They now spend about $8 every two months on hair care, instead of about $15 every two or three weeks.

"I know we're losing a sale when we give an 8-ounce conditioner away free with an 8-ounce activator," said one buyer, "but I also have to believe we make it up by getting more new shoppers to try the product."

The ethnic category had another difficult year in 1987.

Depending on the market, some sources report the category was flat, while others report sales increases of between 5 percent and 10 percent. Based on our own survey of chain drug store retailers, *Drug Store News* estimates an 8 percent increase for chain drug store sales of that category in 1987.

According to market research estimates, overall growth across all mass classes of trade was modest at about 3 percent. Ethnic sales in the drug store industry were down 5 percent, according to A.C. Nielsen Market Research estimates, but because of aggressive promotions, some chains and some regions did better than that.

Most chain drug sources say, however, that they had to work for growth in this category last year, and most say that any gains were due primarily to intense promotions of bonus packs, value packs, and a proliferation of manufacturer cents-off coupons in 1987.

Retailers and ethnic distributors say the category is being hurt by a change in fashion trends. With some exceptions, the curl look is still "out" and the relaxed look and very short hair is "in."

As buyers like to point out, consumers don't need as many maintenance or after care products when they're wearing short hair, and the result is that many ethnic consumers are not buying the high consumption and high ticket after care products as often as they once were.

Instead, they are basically buying shampoos, conditioners, sheens and sprays, and they are spending about $8 every two months on hair care instead of about $15 every two or three weeks.

Manufacturers and ethnic distributors are trying to weather this fashion lull, therefore, by creating wide varieties of bonus or value packs for their consumers.

The retailers who have been buying the bonus packs say they know they are losing some sales to consumers who stockpile, but they also feel they are getting at least some incremental sales from consumers who see the packs on display and who buy them impulsively for their value.

A trade-off

"I know we're losing a sale when we give an 8-ounce conditioner away free with an 8-ounce activator," said one buyer, "but I also have to believe we make it up by getting more new shoppers to try the product."

Retailers and ethnic distributors say that some of their best bonus packs in 1987 and early '88 were the following:

Lustrasilk's 8-ounce moisturizer with 8-ounce activator pack; Soft Sheen's 8-ounce moisturizer with 8-ounce Snap Back pack; M & M's Buy One-Get One Free 8-ounce Dry and 8-ounce Dry Free kit; and TCB's 25 percent more bonus pack on TCB Lite.

Several sources also said they did very well with what they called "the industry's first cross merchandising promotion": a bonus pack featuring Ambi skin care and TCB Lite products.

Ambi and TCB Lite did two cross merchandise promotions in 1987. Retailers and distributors said the promotions helped generate growth in skin treatment sales, and also helped spark the sales of both brands. The promotion that featured a free 2-ounce jar of Ambi skin cream with 2 ounces of TCB Lite sold the best, sources said.

Most sources also said there were several growth segments within the overall ethnic category in 1987.

The curl category continued to be flat in 1987, and that, of course, negatively impacted sales of curl maintenance products.

But hair conditioners, sheens, mink oils and hair color did well in most sections of the country.

Most sources also reported some upsurge in skin treatment sales, although the base is still small in this category.

Distributors who service chain and independent drug stores report that skin treatments excluding soaps range from between 3 percent and 9 percent of their total sales. Most distributors, however, report that skin treatment's share of sales is up between 1 and 2 percentage points this past year.

Cosmetics has been fairly stable. Foundations and lip sticks still sell the best in this category, sources say, but the nail, eye and blush lines have to deal with tough competition from the mass brands.

Some sources say that the mass brands today have such a wide variety of shades in their lines that they have made it much harder for the ethnic lines to compete for this business.

Buyers and distributors also said there were some good new product launches in the past year and a half. Most sources said Care Free's new Curl Gold is selling well, as is Pro Line's new No Lye Men's Comb Through Relaxer; Care Free Curl's new Snap Back; Right On Right Back; Queen Helene cholesterol hair conditioner; and Revlon's Finisheen Oil Sheen Spray, which recently made the transition from salon to retail sales.

Buyers and distributors also gave good reports to the following established brands: Care Free Curl; Dark 'N Lovely Relaxer; Right On Curl; Gentle Treatment Relaxer; Soft & Beautiful Relaxer; S Curl, TCB Lite; Revlon Relaxer; Lustra's Mink Oil; Posner foundation makeups; Afrotique and Brown Sugar hosiery; Summit Pre Con Gel, Vigoril Gel; Carson Gel, Ampro Gel, LeKair Cholesterol Hair Conditioner, Bronner Brothers' BB Hair Conditioner, Dark & Lovely Hair Colors; and most of the hair care brands made by the following four companies: Lustra, Carson, Pro-Line and Revlon.

In the Northeast, South and Midwest, sources also reported strong sales for select products in a salon line that has been available at retail for about a year now. The line is called Leisure Curl, and it consists of after care products for what ethnic distributors describe as a "relaxed curl."

The whole line isn't legitimately available at retail yet, sources say, but drug stores have been having good results with the 8- and 16-ounce spray and gel. Leisure Curl is made by Dorum Manufacturers in Chicago.

In 1987, buyers aren't reporting any dramatic changes in the way they merchandise ethnic products. However, they are watching sales much more closely today, and they are working with their distributors to identify and weed out slow turning products.

There is also more competition on ethnic lines today. The mass merchandise stores like K mart and Target are carrying a broader assortment of ethnic products and they are becoming very competitive on everyday prices.

As with chain drug stores, they are promoting the category more today and doing more off-shelf displays.

The food stores are also taking a stronger position in the category, and although their pricing is not always as sharp as the mass merchandise discount stores, their assortments are getting more varied and more fashion-oriented.

Distributors say they are becoming faster at identifying the right brands to carry.

Suburban shoppers yearning to organize their lives can find a variety of helpful merchandise in Genovese's Ardsley, N. Y., unit.

Neat stationery department in deep discounter Maxi-drug's West Springfield, Mass., store pulls heavy traffic. Some chains find housekeeping the category a hassle.

Magazines and paperbacks line side wall in Phoenix-based SupeRx's first racetrack store. Loungers and snacks are positioned nearby, to add to readers' comforts.

Stationery continues as a staple; sales surge 10.1%

Drug chains are looking to their stationery departments as a continuing, year-round source of sales and profit growth in core drug store business.

"It's just more and more steady business," said Frank Shanower, vp-merchandising at Drug Emporium, recently, "and you've got to keep in stock and stay on top of it."

Indeed, drug store operators are. Stationery sales surged 10.1 percent at drug chains in 1987 to $1.6 billion.

The home office segment, cited by retail drug merchants as one of the 10 hottest categories for 1988, is a major focus of chains' category expansion plans. Many have already expanded this booming segment, or plan to this year, in response to consumers' demands for items to help them organize.

Kerr Drugs, for example, is adding 38 feet of home office supplies to its department this year, and Vons is expanding home office supplies in its new food/drug format.

Vendors are responding to the upsurge in demand with more and more quality products, as evidenced by the array of attractive and practical home office merchandise displayed at the Back-To-School Show in February.

The consensus among drug chain merchandisers talked to by *Drug Store News* is that home users, especially women, rather than office workers, are the primary target customer.

"It's the working woman who is buying a better quality thing to organize herself and her home, because she's doing three functions, usually—wife, mother and worker," Shanower said during a stationery seminar at the show.

"She's the one who is going to buy a product that makes her life a bit easier," Shanower added. "If it's sitting there and if it's priced right and signed right, it's going to sell, if it's a good product."

Buyers are finding that customers are willing to pay for quality and that color is playing an important role in attracting shoppers to home office products, as well as to stationery items generally.

"I think that the colors are really driving our promotional business," said Cynthia Stahley, stationery buyer for Genovese, during the seminar. "They make an old item look new again to our customers."

She added that quality value-added items are outstanding performers: "We've been able to trade our customers up from the $3.99 file box to the $9.99 Home Box Office with very little resistance."

But if home office is the *pièce de résistance* of the stationery category, basic items such as envelopes, filler paper, legal and memo pads, writing instruments and notebooks are the meat and potatoes of a business that is essentially year-round now.

While back-to-school is still the major thrust of chains' promotional efforts, tax time, second semester, the December holiday season and even summer camp times are increasingly cultivated as promotional opportunities, with many chains advertising some stationery items in all their major circulars.

Some chains are showing innovative spark by incorporating nontraditional items in their back-to-school ads, such as candy, H&BAs, personal care appliances and hosiery. And Long Island, N. Y.-based Austin Drugs showed imagination and an eye for community relations with a back-to-school ad competition for schoolchildren.

Several chains said they coordinate their back-to-school selection with local schools' requirements. Genovese, Drug Emporium and Randall's, for example, get supply lists from schools and adjust their assortment to meet those needs. Randall's makes up special packages of supplies for each grade level and offers them at a 10 percent discount. "It saves them [parents] money and gives us multiple school supply sales at big-ticket prices," said Randall's nonfood merchandise buyer, Bob Morrison.

In the back-to-school/stationery segment, color and fashion, more than product innovation, have helped to spur sales, according to several buyers. Acid-washed denim, in binders, notebooks and knapsacks, is one of the hotest fashion elements buyers are taking up for fall. But buyers also report that high-tech effects such as the pearlized and chrome looks, as well as bold colors and geometric designs, are driving sales. Wireless notebooks with laser perforations are also selling well, several buyers report.

Licensed characters appear to have run their course as novelties in stationery, with several chain buyers saying they have either eliminated licensed items or retained just the old standys, such as Snoopy, Garfield and Mickey.

"We've found they are often unsuccessful, because their popularity comes and goes and is too regional," explained one buyer.

In writing instruments, multipacks and fashion colors are gaining in popularity. Outstanding sellers, in addition to the hardy wooden pencil, include metal roller pens, markers and highlighters, and mechanical pencils, with shoppers showing a willingness to pay for better quality.

Other areas reaping steady results for chains include small dictionaries, mailing supplies and magazines and paperbacks. While some chains have gotten into computer supplies, others indicate a hesitancy to enter this segment. "I see computer supplies as a trend down the line," said one buyer recently, "but we're not jumping in yet."

The proliferation of new products makes stationery an unwieldy category in terms of housekeeping and making room for new items.

While organizing systems or supplier servicing have alleviated chains' housekeeping task, chains vary in how they tackle the space crunch.

"New products are what drive the game," Shanower said during the stationery seminar. "We're going to put it in somehow. . .and if somebody else's stuff gets thrown in the back room, that's the way it goes."

"We don't necessarily throw out items to make room for new," Stahley commented. "We rearrange and make space within the department."

1987 stationery department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Greeting cards	$ 572,162	10.3%	34.92%
School, home/office	474,322	13.8	28.95
Books/magazines	257,606	7.0	15.72
Writing instruments	108,093	8.2	6.60
Gift wrap	93,968	9.3	5.74
Social stationery	68,448	4.1	4.18
Disposables/party supplies	51,254	4.8	3.13
Art supplies	12,464	9.8	0.76
Total	$1,638,318		100.00%

Source: *Drug Store News* survey

1987 stationery department highlights

Chain drug stationery sales	$1,638,318,000
1987 percentage increase	10.1%
Percentage of total chain drug sales	5.0%
Typical gross margins	40-45%
Industry profit yield from stationery last year	$655,000,000 to $737,000,000
Average annual department turns	4.5

Source: *Drug Store News* survey

Types of books bought in 1987

Paperback novels	17.5%
Cookbooks	13.8
Juvenile books	9.8
Paperback romances	8.5
Paperback mysteries	8.1
Paperback nonfiction	8.0
Hardcover novels	7.7
Religious (not Bible)	7.3
Personal/business self-help	6.4
Hardcover nonfiction	5.8

Source: Mediamark Research Inc.

Majors' specialty segment focus drives chains' greeting card sales

Drug chains report increased sales in alternative and spiritual cards, as the major vendors, Hallmark, American Greetings and Gibson, respond to consumers' growing demand in these and other specialty segments.

Spurred by vendors' aggressive marketing efforts, chains are increasingly positioning greeting cards toward the front and center of their stores, to take better advantage of the brisk impulse sales and high (45 to 50 percent) margins that cards generate. Often, greeting cards are housed near cosmetics, since women are the better customers for both departments. Many chains also find placement of gifts, picture frames and candy near greeting cards affords cross-merchandising opportunities.

Helped by vendor programs to promote cards and target consumer groups, chains such as Happy Harry's and Crown Drugs have increased card sales in the double-digits this past year.

Greeting card sales increased in 1987 by 10.3 percent to $572 million. Greeting cards are the largest component of stationery departments at chain drug stores.

The Big 3 card companies have made significant inroads into the alternative card card market, once the turf of smaller companies, and a sampling of buyers report sales in this segment are taking off. Rite Aid, for example, which carries Gibson, American Greetings and Recycled Paper, reports its card sales generally are "way up," with the alternative segment a growing part of that business.

Added a spokesman for K&B, which devotes 96 feet to cards, "It's less necessary to carry alternative companies' lines, now that the Big 3 have entered the market."

Since prices have stayed on a plateau at about $1 for the past few years, is a price increase in the cards this year?

Gibson's vp-marketing, Greg Ionna, said there will a modest increase, of perhaps 4 percent. Spokesmen for the other two major vendors were noncommittal about their pricing plans.

Hallmark, for example, noted that its Shoebox line remains about $1, although some Valentine's and Mother's Day cards, jumbo cards and cards with special effects can run as high as $3-$6. A 68-card line to be introduced next month, called "Best Years," will be priced from 70 cents to $1, for affordability to its target over-55 audience.

One of the trends in cards is the inspirational, or spiritual, theme. Inspirational cards "were nowhere" a few years ago, but chains report an increasing demand for them now, and the Big 3 have responded with a broader and more sophisticated offering.

Among novelty cards and accessories, American Greetings has come out with a mailable photo-album card called "Photo Sentiment," as well as a Country Home card organizer, which capitalizes on the currently fashionable country look via a stenciled wooden box with file dividers by month and holiday, to help card givers organize and remember to send.

Gibson says one of its hottest items is Teddy Hugglesbie, with teddybear and country-look appeal. Brought out in plush for greeting card display, Teddy also appears on giftwrap and party goods. This is also a big anniversary

See **Drug,** *page 118*

New specialties, shipping policies bode well for future growth

After three years of intense and costly competition for market share and a slowdown in growth, there is reason to be cautiously optimistic about the greeting card industry's future, according to Prudential-Bache's latest report on the state of the big three companies, Hallmark (privately held), American Greetings and Gibson.

The underlying reasons for the industry's problems centered on three situations: fierce competition to win retailers away from one another, high retail saturation—in other words, "few major new chains to conquer," and a slowing of unit growth.

The reasons for the unit growth slowdown are "un-

See **Future,** *page 118*

MiKE IKE
MiKE IKE
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JOLLY JOES
MiKE IKE
HOT TAMALES
JOLLY JOE
MiKE IKE

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PRODUCTS

Future for card sales: Mostly sunny?

Continued from page 117

clear," the report said, but perhaps had to do with the success of alternative cards before the Big 3 jumped in wholeheartedly, a slowing of demographic trends that had stimulated earlier growth, and a price structure that hit a resistance point for many consumers at about $1 and has held there for about three years.

Customer browses card shelf at Peoples "Boss," Hyattsville, Md.

E. Gray Glass III, who prepared the report, sees several factors contributing to a possible industry upturn. Among these:

- The fierce battle for market share appears to be easing, as companies move to emphasize margins and earnings more, rather than continuing the enervating competition over retail chains. That competition involved such financial give-ups as extended dating and payment schedules and substantial concessions on co-op ad programs.
- Major operating changes are being made, such as reducing inflated levels of gross shipments of seasonal cards, aimed at bringing the supply/demand relationship into better balance.
- The big three companies have, over the past few years, moved decisively into alternative card market—once the province of the smaller, private companies— thus opening a new avenue for growth.

Prudential-Bache expects other trends to help sustain above-average growth rate projections.

The stock market crash last fall could slow down the economy's growth rate. During past economic slumps, people have tended to reduce their gift-giving, and, perhaps to salve their consciences, have bought more expensive cards instead.

With an expected easing of competition and an expanded population of affluent 35- to 65-year-old postwar baby boomers, the stage is set for modest price increases for cards, Glass reasons. Consumers, having enjoyed relatively stable prices for the past three years, may be more willing to accept a modest price hike. "The first such increase could take place fairly early in 1988," he states, estimating that it will be 4-5 percent and that further increases, reflecting inflation, will follow over several years.

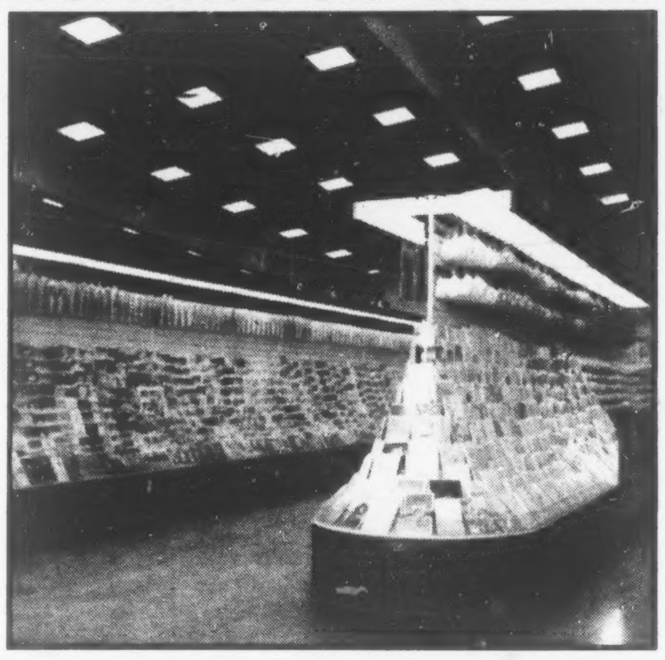
Furthermore, the big three's entry into alternative cards has been well accepted by consumers, and overall card buying has expanded.

Finally, Glass notes that several card categories are being explored as new market opportunities. They include electronic chip cards, such as musical cards, cards with piano keyboards, and cards with sound effects; "billboard" (very oversized) cards; computer cards; and videotape cards.

Drug chains say 'greetings' to greater alternate card sales

Cont. from page 117

year at Gibson, which is planning special cards, party goods, giftwrap and plush to celebrate the birthdays of its venerable licensed characters, Garfield, age 10, and Mickey Mouse, a ripe old 60.



Greeting card endcap display in a Pittsfield, Mass., Maxidrug.

Whether the early April increase in the first-class postage rate, from 22 cents to 25 cents, will affect the sales or sending of cards is unclear. But Prudential-Bache analysts recently issued an industry update saying the hike "is not expected to have any visible impact" on cards, mainly because of its between-season timing.

Some buyers are seeing other impacts on sales, however, such as a decline in boxed seasonal card sales last Christmas. "Maybe people just don't have time to send 150 cards anymore," offered one buyer in explanation.

Another problem, noted by a buyer in the New York area, is the paucity of selection for Jewish holidays. "Customers complain," the buyer said, adding that the chain has to go outside its regular vendor system to augment cards for Jewish holidays.

The intense battle among the major companies for market share in the past few years has created terms favorable to retailers, including drug chains. A major card vendor for Bill's Drug in California, for example, is giving full credit on leftover seasonal stock toward the next year's billing. These extended terms have lessened Bill's inventory costs as well as the chain's practice of underbuying in order to avoid carryovers.

The major card companies say they didn't cut back on shipments last Christmas to reduce carryovers. "We work with retailers on an individual basis; reorders are based on an individual retailer's previous-year sales, to avoid carryover," said a Hallmark spokeswoman.

But carryovers and returns appear to be a problem for some vendors. American Greetings, for example, which on April 7 posted a 95 percent drop in profit for the fourth quarter, said higher than normal returns of seasonal merchandise impacted results.

DuraQuiz

Q. In the U.S. each year, how many replacement batteries are sold?

a. 10 million
b. 100 million
c. 2 billion

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CIGARETTES

Top selling brands are prominently on view in a single-pack fixture at this Walgreens checkout.

Countertop displays spur impulse sales at this Plainview, Mass., Brooks Drug store.

Fixturing, promo strategies support tobacco profits

1987 tobacco department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Cigarettes	$1,533,666	3.4%	67.31%
Cigars	349,450	2.1	15.34
Lighters/smoking accessories	208,658	5.5	9.16
Tobacco/tobacco products	160,976	3.1	7.06
Pipes	25,777	0.1	1.13
Total	$2,278,527		100.00%

Source: *Drug Store News* survey

1987 tobacco department highlights

Chain drug tobacco sales	$2,278,527,000
1987 percentage increase	3.3%
Percentage of total chain drug sales	6.96%
Typical gross margins	15-20%
Industry profit yield from tobacco last year	$340,000,000 to $455,000,000
Average annual department turns	15.0

Source: *Drug Store News* survey

Drug chains used new fixturing and promotional strategies to maintain cigarette profits in 1987, as unit sales declined at many chains, following the national trend.

Dollar sales looked better, largely because cigarette manufacturers passed along two more price hikes in 1987, which added $2 to the price of 1,000 cigarettes, or three to four cents more per pack.

Better margins and profit dollars on price/value cigarettes, such as the black-and-white generics and branded generics, helped some chains stabilize category profits.

Unit shipments by vendors of branded generics remained strong, as items such as RJR-Nabisco's Doral, Philip Morris' Cambridge, Brown & Williamson's Falcon Lights, and Liggett & Myers' Quality Lights gained favor. Branded generics captured 4.1 percent of total units shipped, compared with a 2.7 percent share in 1986. Black and whites, and the value 25's (25 for the price of 20) lost slight share points.

Buyers say the success of generics is tied closely to economic conditions, and they work in some neighborhoods and not in others.

Total units shipped dropped 2.1 percent to 570.38 billion, mirroring the slide of recent years.

Drug chains settled for a smaller slice of the market, losing some to convenience stores. Drug chains had an eight percent share of 1987 retail sales, compared with 10 percent in 1982, Brown & Williamson reported.

Supermarkets lost share, dropping to 29 percent compared with 35 percent five years ago, the vendor said.

Sales of the slim cigarettes, the so-called female styles, continued to be strong, drug chains said. Philip Morris' Virginia Slims was a market share gainer, moving from 2.9 percent to 3.1 percent. The brand entered the ranks of the top 10 brands in market share, tied in the tenth position with RJR's Vantage.

Meanwhile, Brown & Williamson's challenge to Virginia Slims—its Capri ultra-slim cigarette—approached full national distribution. Female-directed cigarettes captured 6 percent of the market in 1987.

Carton fixture at Crown Drugs faces the front-end and entrance for maximum exposure.

Among the full-priced brands, Marlboro extended its lead, ending 1987 with a 23.6 percent share, up 0.7 percent from last year.

RJR-Nabisco's Winston was a distant second at 11.1 percent, after a two-tenths of 1 percent decline.

Lorillard's Newport jumped two notches to tie with RJR's Camel in sixth place.

To limit shrinkage, many chains continued to move cartons and single-packs where they can be watched over. Buyers cautioned, however, that they must balance the need to guard inventory against the loss of display payments when self-service merchandising systems are phased out.

Buyers said vendors were helping resolve the dilemma by paying more for the countertop, single-pack displays favored by chains. Couponing, meanwhile, remained the key to moving cartons.

Innovative merchandising is still necessary to build sales.

"Merchandising and marketing is even more important today than it was a year or two ago," said Bob Partridge, a vp at Bercovich-Sosnick, a San Leandro, Calif. distributor whose customers include Walgreens, Longs, Bill's, and K mart.

Partridge said promotions such as "three-for" offers have become more prevalent.

Drug chains in Bercovich-Sosnick's western market have to be competitive against the convenience stores and mini-mart kiosks at gas stations, Partridge said.

Begley Drugs took a typical approach to combatting shrinkage when it left cigarettes behind the counter for a second year. Shrinkage dropped to almost zero as a result. Although the chain lost some display payment revenue by taking away the carton displays, the loss was somewhat offset by increased payments for counter displays of Philip Morris, RJR-Nabisco, and American Brands cigarettes.

Harco was another chain that eliminated carton displays on the selling floor.

Although the overhead racks by RJR and Philip Morris that Harco now uses make cigarettes less visible, sales weren't affected much. Countertop displays help to maintain the rate of sales.

A.D. Clark safely dispenses cartons from self-service fixtures by putting them between the checkout and managers' service counters.

But most drug chains have followed the lead of chains like Longs, Walgreens, and Medicare-Glaser, which concentrate on selling single packs from fixtures behind the cashier.

Sales of smokeless tobacco products slumped for the second year in a row, as consumers resisted higher prices brought about by federal and state excise taxes.

Pounds shipped slumped to 121.5 million in 1987 from 125.5 million in 1986, and a high of 133.77 million in 1985.

"We're seeing shelf space being reduced in the smokeless category because the retailer doesn't understand how profitable [the category] can be for him," argued one industry spokesman.

In the disposable lighter area, multipacks gave chains an opportunity for higher register rings and profits, as sales in the mature industry grew 2 percent.

Bic's Mini Bic drove 5 percent sales growth on Bic lighters, and Universal Matches' reshaped Cricket lighter was a success. Merchandising systems by vendors including Scripto-Tokai and General Cigar Co., maker of Djeep, helped fill out the important checkstand territory.

Tasty 'value image' builds food and beverage traffic

The larger chain drug stores try hard to make a value statement with groceries. They generally buy best-selling brands on deal and stack them in large quantities to insure that they "fly through" their stores. Some chains report sales growth as high as 30 to 50 percent on certain promotional brands.

Liquor consumption is not on the upswing, but there is still a broad base of users in the markets, and drug chains often use low prices to generate more traffic and pull in more male shoppers. Most chains also try to give the department some merchandising ambiance.

Chain drug store buyers reported tremendous growth last year in sales of edible products, including all types of candies, assorted salty snacks, microwave popcorns, peanuts, fruit juices, imported and light beers, and fruit-flavored wines.

Our *Drug Store News* survey reveals that sales of grocery, snacks, soft drinks, and liquor in chain drug stores increased 7.4 percent to $1.4 billion last year.

Much of the growth was spawned by heavy promotional activity, as drug chains continued to feature key grocery items as traffic generators.

Candy, beer, soda, chips, cookies, jams, jellies, soups, microwave popcorn, cake mixes, and condiments were particularly popular as ad items.

In their ads, most drug chains continued to be super-competitive on price. Their philosophy continues to be to use the popular edibles to lure traffic away from such competitors as other drug chains, food stores, and discount stores.

The emphasis is on promoting a well-known brand at an especially low price to create an image of "value." Osco Drug, for example, recently featured Nabisco snack crackers for $1.19, Planters nuts for $2.99, and Act II microwave popcorn at three for $1, all proven traffic generators.

Osco has also run specials on less competitive categories like canned olives, canned hams, and pineapple chunks. Since these are categories the food chains don't promote as frequently as soda or tuna or mayonnaise, chains like Osco can take a better margin on these features and yet still draw traffic.

Longs followed a similar approach in one of its recent ads. Longs' ads usually highlight a broad assortment of groceries, including Idaho specialty potatoes, Pillsbury Plus cake mix, fudge brownie mixes, gelatins, and the like.

Food, beverages a staple

Foods have become such a staple in today's chain drug store that many chains have developed private labels on high-turning commodities, including nuts, canister snacks, ice cream, and even liquor.

During the past year, snack foods continued as a grocery leader, with items like chips, nuts, and microwave popcorn gaining additional shelf exposure as well as increased advertising.

Wine sales have been strong in drug stores this year, but there are growth segments including wine coolers, fruit-based wines, fruit-based brandies, and to a lesser extent, the premium wines like a Chardonnay, White Zinfandel, or a good Cabernet.

It has been the premium wines, priced $5 and up, which have realized the biggest gains in the entire wine category, according to a recent report by Gomberg-Fredrikson, San Francisco-based wine consultants.

Import and light beers are the growth areas in the beer segment. Most drug chains report that domestic beers like Coors, Budweiser, and Miller sell well in their stores, but gains are also being made by Miller Lite, Heineken, Corona Extra, Molson, and Beck's.

Corona out of Mexico and Molson from Canada have been especially important beer brands, particularly in regional markets like the West and the Southwest for Corona, and the Northeast for Molson.

Regional brands popular

However, sources say that consumers are much quicker to pick up on regional trends today, and most liquor buyers say that Mexican and Canadian beers, whenever they're available, are selling well throughout the country.

In non-alcoholic beverages, drug stores have realized strong sales gains during the last year with single cold soda cans, juices, and seasonal drinks like iced teas and lemonades.

The chains that have added single can soda coolers to the stores say they are happy with the arrangement. Sources at Eckerd and Revco Drug say the cold singles sell well "on impulse." They provide a convenience to the regular shoppers and they work to draw in new business, and they have better

Continued on page 129

1987 grocery-snacks-soft drinks-liquor department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Liquor-wine	$ 671,932	7.9%	46.89%
Soft drinks	207,683	6.0	14.49
Nuts	118,859	9.0	8.29
Snacks-cookies	109,308	7.7	7.63
Beer	91,633	5.9	6.39
Canned goods-condiments	62,067	5.9	4.33
Dry groceries	54,317	6.9	3.79
Other foods	117,241	7.5	8.18
Total	$1,433,040		100.00%

Source: *Drug Store News* survey

PRODUCTS

Cookies and crackers are a growth segment for most chain drug stores today. Buyers say sales in this segment continue to grow. Chains are reacting by giving the category more space and more feature activity.

Deep discount drug chains aren't pushing assortment when they sell foods: they stress price and sometimes convenience. When deep discounters have more product than they can display on end, they like to use cut-end cases on shelves to achieve a look of low warehouse pricing.

Chains feast on food and beverage product growth

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margins than sodas sold by the pack, and, of course, sodas sold on ad.

Many drug chains are also adding juices, bottled water, and specialty drinks like Gatorade to their mix. These are all categories that have been exploding at food stores, and they also fit in perfectly with today's trend to healthier and lighter beverages. Chains usually take margins of between 20-30 percent on these types of items, and most buyers say they can turn them between 10-15 times a year.

Some chains still continue to maintain convenience food departments in select stores, but the trend to selling convenience foods seems to have peaked. Walgreens is still rolling out convenience food departments in select stores, and Longs is continuing to add food departments at its local management's discretion, but most of the other major chains are just adding c-departments to the occasional "right store," usually defined as a store in a neighborhood where there is a need for convenience groceries.

Peoples, Eckerd, Perry Drug, SupeRx, and Thrifty are among chains with c-food departments in some stores, but none has any plans to expand this end of the business aggressively.

One merchandising vp says the c-food departments are not at all basic to his core business. Instead, he describes them as "an opportunistic category." He adds the best approach the chain drug stores can take to c-foods is "to analyze store locations, and if it makes sense to put a c-food department in, do it on the basis of that particular situation."

Walgreens, of course, has another opinion. Sources for that chain say that c-foods are good traffic builders, and they can be profitable.

"They bring in the customer who needs bread or milk," one source said, "and they bring them back two or three times a week."

Walgreens prices the items in the department comparable to food stores in the area, and usually takes overall margins of between 25-30 percent.

Sources say turns are good and the department is profitable. Right now Walgreens has about 500 stores with c-food departments, and has been adding them at the rate of 100-200 stores a year.

1987 grocery-snacks-soft drinks-liquor department highlights

Chain drug grocery-liquor sales	$1,433,040,000
1987 percentage increase	7.4%
Percentage of total chain drug sales	4.38%
Typical gross margins	15-20%
Industry profit yield from grocery-liquor last year	$215,000,000 to $285,000,000
Average annual department turns	12.0

Source: *Drug Store News* survey

Retailers, mfrs. scramble to cash in on the big pop

Eye on the Marketplace

Bernice Kanner

Last year the average American consumed 51.5 quarts of whole milk, 15.2 quarts of ice cream, 3.8 pounds of butter and 46 quarts of popcorn. Popcorn, you say? Indeed, popcorn, that quintessential American snack, is exploding, and all indications are that it will keep on popping over the next few years.

Last year, both popped and unpopped popcorn sales increased by 24 percent, which is dazzling when you consider that healthy snack food gains register 5 to 6 percent growth annually. And over the past five years, sales of unpopped kernels have nearly tripled. Approximately half of those sales are popping up in drug stores.

Popcorn, a food as American as hot dogs and apple pie, "is the fastest growing segment of snack foods," says Karen Fidler, marketing director of the Bachman Co. "And snack foods are one of the fastest growing sectors of all foods." Packaged Facts, the New York market research company, predicts that the current $1.5 billion retail popcorn market will mushroom to $2 billion by 1990.

Marketers large and small have jumped on the bandwagon, bringing out a raft of new brands. Celebrities have embraced the fluff, including Paul Newman, who has introduced his own Oldstyle Picture Show popcorn, and Ken Kercheval (who plays Cliff Barnes on Dallas), who owns a controlling interest in Old Capital Popcorn.

King of the kernels is Orville Redenbacher, the premium brand named for the bow-tied Hoosier who developed a fluffier strand that moved the entire industry from a commodity oriented business into a gourmet one. The brand, now marketed by Beatrice/-Hunt-Wesson, leads the microwave field with an estimated 37 percent share of the kernel market.

Jockeying for second place are General Mills' Betty Crocker Pop Secret Microwave brand, launched in January 1986, and Pillsbury's microwave popcorn.

Crowding the field are such brands as American Home Products' Microwave Jiffy Pop, Heinz's weight watchers brand and National Oats Company's 3 minute Brand Super Pop. Others are Weaver's Pop Around the Clock, National Presto Industries' Microwave Hot Toppers, Golden Valley's Act III, American Pop Corn Company's Jolly Time, McCormick & Company's TV Time, Curtice-Burns' Pop-Rite and Super Pop, and Nabisco Brands' Planters Premium Select Popcorn.

That Americans seem to have suddenly discovered popcorn may tie in with their current health consciousness, says William Smith, executive director of the Chicago-based Popcorn Institute. "People have woken up to popcorn's wholesome goodness, natural deliciousness and limited calories." (A cup of air-popped popcorn packs just 26 calories and drizzled with a tablespoon

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Bernice Kanner is a senior editor with New York *magazine.*

There's a rage to graze, and sales of popcorn are popping

Continued from page 129

of butter, just 126.) The American Cancer Society praises popcorn's high fiber and low fat content; the American Dental Association applauds its sugar-free status, and the American Dietetic Association cheers its calorie count. Others credit its fitting into today's lifestyle. "First there's a rage to graze, and then popcorn's low price," says John DeGraff, director of marketing at the Weaver Popcorn Co., the world's largest producer of unpopped corn. "We're eating smaller amounts of snack foods during the day rather than eating three big meals. The stuff popped at home costs around 6 cents a serving, putting it in a league by itself."

A different league

But maybe it's popcorn's microwaveability that puts it into a different—and booming league. "Popcorn is a yuppie grazing food but that fad has caught on," says Ben Frustasci, head of McCormick's TV Time brand. "More than yuppies, what drove up the sale of popcorn was the purchase of microwave ovens. After you've boiled water and defrosted in the microwave, you look for other ways to justify the purchase. What better way than microwave popcorn? It's four minutes and no mess versus the old 12 minutes and cleaning up the pan routine. Currently, some 70 percent of U.S. households contain microwave ovens and by 1990, they should be in nearly 90 percent of homes."

Actually, this thoroughly modern munch is as old as the hills. The 15th century Peruvian Indians used it as a confection; North American Indians used it in their diet—and wardrobe. They introduced it to the settlers at the first Thanksgiving feast. Before growing into the name popcorn, the food was called parching corn, popped corn and rice corn. Colonists doctored it with sugar and cream to create what may have been the first puffed breakfast cereal. Until 1885 the kernels were routinely popped over an open flame, but then Chicago inventor Charles Cretos created a steam powered machine to pop corn in oil. That method dominated for nearly a century until the hot air popper and microwave oven appeared.

In 1896 a Chicago manufacturer came out with a combination popcorn, molasses and peanuts that he called Cracker Jacks, but it was Redenbacher who really transformed the popcorn industry. Before him, popcorn was essentially a regional commodity sold mainly in the Midwest as a simple, inexpensive fun food. Then in the mid-1960s, Redenbacher, a onetime country farm agent and later the head of an agricultural-supply company, developed a popcorn that he claimed was fluffier, better-tasting, more tender amd more poppable, popping nearly twice as large as the competition's and sharply cutting back on the old maids, or unpopped kernels in marketing parlance. The various companies Redenbacher approached rejected his idea, believing consumers wouldn't pay more for a pedigree. In 1970, Redenbacher popped his own country bumpkin face on the product and marketed it himself. In 1976 Hunt Wesson bought Redenbacher and invested $6 million in advertising that year—then 10 times what the entire industry was spending.

The stakes are high

Today, the advertising volume and stakes are louder and higher. Pillsbury, which introduced the first microwave brand, has laid low ad-wise, but General Mills introduced Pop Secret in January 1986 with star-power. It showed little animated corn kernels in sun chairs, sporting sunglasses and holding up sun reflectors, oiling themselves and rocking to "LaBamba."

Redenbacher's latest television spots use his real life grandson, a bow-tied lookalike. Planters' ads evoke nostalgia or depict Planters popcorn as light and fluffy enough to float up to the ceiling.

Even with the scramble to cash in on the big pop, many industry observers predict a shakeout. "A year from now there will be four or five survivors from 11 big brands," predicts Frustaci. "Competition will force the little guys out. It will also speed up the introduction of a second generation of popcorn products," says Martin Friedman, editor of *New Product News*. "Lots of food like yogurt and granola bars start out healthy and end up as confection. Soon you'll be able to get microwave popcorn in raspberry and strawberry flavors," he says.

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Drug retailers use angled shelves to pitch candy towards eye level and generate maximum impulse feel for fast-turning sweets. CVS (left) does this with bagged candies in-line, which are set near snacks and across from magazines for a total curl-up-and-read approach. At Rite Aid, (right) the desired reaction from young shoppers is evident.

Candy emphasized as chains back core categories

Encouraged by consumers' seemingly boundless appetite for sweets, drug chains parlayed high visibility and heavier promotions into an 11 percent gain in candy sales last year.

The showing for bagged and bar candies was especially strong, with bagged products up 12 percent and bars up almost 13 percent.

In a year in which total chain drug sales rose eight percent, candy's double-digit performance was a cause for celebration among chain executives. Industrywide, only pharmacy outperformed candy in sales gains.

To achieve those increases, chains vigorously supported the category by using the choicest of real estate—both on- and off-shelf—for display. Chains such as CVS, Brooks, and others turned their checkout counters into virtual candy stores, as they sought to capitalize on the high-impulse nature of the category as well as its high turns and gross profit dollars.

Top checkout item

Indeed, when chain drug merchandisers were asked by *Drug Store News* to name which category they preferred to display at the checkout counter, candy was number one on the list.

Although some drug chains have chosen to adapt their checkstand counters for powerful statements in candy merchandising, many others have worked to bolster sales by displaying the category on nearby fixtures and endcaps.

Others have gone to freestanding, vendor-supplied floorstands for candy, while some chains, like Longs, are using freestanding metal spinner racks for items like multipack gum.

Whether on endcaps or promotional tables, chains have devoted more space and visibility to candy while playing up special pricing advantages, like two for 99 cents. Working with vendors for better pricing packages and stocking more multipack items have also helped increase sales.

But chains haven't just used prime locations and strong POP merchandising alone to increase sales. They've also promoted the category vigorously, both seasonally and every day.

Easter is key holiday

During the recent Easter season, chains advertised heavily to attract the 62 percent of the nation's consumers who choose confectionery products to fulfill their gift needs. This figure is the estimate of the National Confectioners Association (NCA).

With what the NCA figured was nearly $800 million in Easter candy sales up for grabs, drug stores stocked shelves with candied eggs, chocolate rabbits, and marshmallow ducks, while advertising their cache for several weeks prior to the holiday.

At Osco, one color circular devoted nearly two and a half pages to Easter candy, baskets, grass, and plush toys. However, it was the candy that accounted for most of the space.

Cadbury eggs, Whitman Easter samplers, Brach jelly bird eggs and marshmallow candies combined with Hershey, Leaf, M&M/Mars, Rodda, Zachary, and Palmer confections in Osco's advertised candy mix.

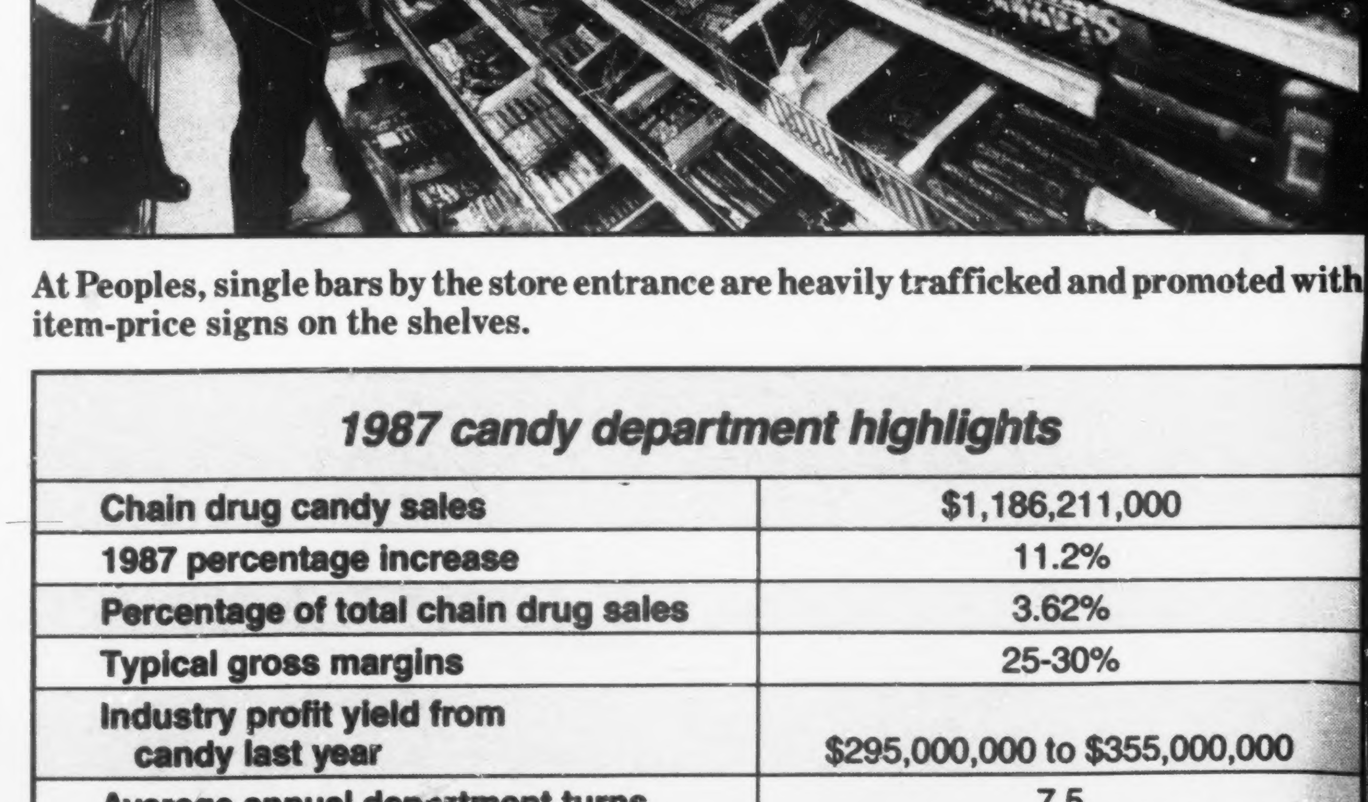
Similar candy was offered at other chains throughout the country. The drug retailers, however, were not just emphasizing Easter candy this year, but all regular and seasonal candy, as part of the reemphasis by many chains of core drug store merchandising.

The importance of candy was recently underscored by Longs during the opening of its new Longs pharmacy in San Diego. Here, where the store is only half the size of a normal Longs superstore prototype, the chain has actually devoted more than normal space to candy because of the store's particular downtown market.

Walgreens, too, has taken a strong stance in the candy category with expanded advertising and product mix. The Deerfield, Ill.-based chain has combined these tactics with more in-store displays and competitive pricing to lead many drug stores in luring customers to its stores consistently.

At most drug chains, the top selling candy focus has been on the large-sized Mars and Hershey candy bars, M&M's, Nestle's, Mon Cheri and Rocher imported chocolates, Andes after-dinner mints, Brach bagged candies, Tic Tac and Pez mints, Peter Paul and Cadbury bars, and Whitman boxed and bar candy.

These hot products are expected to carry drug chains to even greater dollar sales over the next 12 months, as the industry tries to increase its current 10 percent share of the retail candy market dollar sales.



At Peoples, single bars by the store entrance are heavily trafficked and promoted with item-price signs on the shelves.

1987 candy department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Bagged	$ 464,897	12.0%	39.19%
Bars	354,291	12.9	29.87
Boxed	237,150	10.5	19.99
Chewing gum	110,855	5.0	9.35
Other	19,018	7.0	1.60
Total	$1,186,211		100.00%

Source: *Drug Store News* survey

1987 candy department highlights

Chain drug candy sales	$1,186,211,000
1987 percentage increase	11.2%
Percentage of total chain drug sales	3.62%
Typical gross margins	25-30%
Industry profit yield from candy last year	$295,000,000 to $355,000,000
Average annual department turns	7.5

Source: *Drug Store News* survey

BEST AVAILABLE COPY

PRODUCTS

Plastic kites at $1.99, pegged toys at less than $2, and the Barbie Doll make up part of the toy assortment of this Walgreens in downtown Chicago.

Games and pre-school toys gained sales in 1987

(millions of dollars sales at first billing value)*

Category	1986 sales	1987 sales	% change
Ride-ons, such as tricycles (excludes bicycles)	$ 288	$ 570	97.9
Vehicles, such as battery-operated cars	764	923	20.8
Games & puzzles	760	861	13.3
Plush	1,062	1,161	10.5
Guns	71	78	9.9
Infant-preschool	816	840	2.9
Action figures & robots	1,105	702	(36.5)
Dolls & accessories	1,663	920	(44.7)

*First billing value is the first price paid for the item in the U. S., such as at wholesale or port of entry.

Source: Toy Manufacturers of America

Basic games pass go; collect drug chain dollars

1987 toy department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Games	$138,071	9.5%	18.75%
Pegged toys	107,423	4.6	14.59
Cars	95,244	6.4	12.93
Boxed toys	92,873	5.8	12.61
Preschool	72,743	8.9	9.88
Plush	56,790	7.2	7.71
Dolls	55,690	5.6	7.56
Hobbies	40,611	4.9	5.51
Miscellaneous/seasonal	77,027	6.2	10.46
Total	$736,470		100.00%

Source: *Drug Store News* survey

1987 toy department highlights

Chain drug toy sales	$736,470,000
1987 percentage increase	6.8%
Percentage of total chain drug sales	2.25%
Typical gross margins	35-40%
Industry profit yield from toys last year	$255,000,000 to $295,000,000
Average annual department turns	4.0

Source: *Drug Store News* survey

Drug chain buyers who limited their outlays on "TV toys" fared best in 1987, as the high-margin basics—such as board games—carried the ball.

For the third year in a row, chains found that perennial favorites were often leading sellers.

Items such as Hasbro's G.I. Joe and Barbie made waves; Fisher-Price continued to score with innovative pre-school toys; and chains also posted good sales with imports in the $5-$20 range.

Basic toys were, in fact, some of the best-selling items in the toy industry as a whole in 1987.

Six of the top 20 toys were board games or pre-school items, an unusually high percentage of basic items within the top tier, toy industry experts said.

The Games Gang's Pictionary was the second bestseller, according to *Toy and Hobby World*'s Toy Hit Parade. Milton-Bradley's Win, Lose or Draw, and Scruples board games placed sixteenth and seventeenth, respectively.

Fisher-Price's Fun With Foods gained the sixth position, followed by its Fisher Kitchen in tenth, and Little Tykes' Party Kitchen in thirteenth.

Except for Nintendo's Entertainment System interactive video game, most of the top names were old familiars, such as G.I. Joe and Barbie, which placed in third and fourth positions, respectively. Former giants such as the Cabbage Patch Kids—which sat in seventh place—lingered on.

Despite the success of the traditional items, industry officials said it was a flat year in sales, after virtually no leading promotional toys emerged. Chain drug industry sales were up a modest 6.8 percent for the year.

For the third year in a row, chains found that perennial favorites were often leading sellers.

Jack Price, vp-buyer at Associated Drug Stores, termed 1987 "an unmitigated disaster" for the toy industry as a whole. Many retailers were left with unsold inventory of promotional toys that had failed to spark widespread consumer enthusiasm. Adding to the confusion for retailers was the re-emergence of video games after several years of virtual invisibility. Nintendo's game "came out of left field and took over the number one spot," Price observed.

Price felt this year's February Toy Fair offered scant hope for 1988. Innovation remained scarce, and some products that had been announced were never shown.

This year, Price added, chains will roll the dice once again with board games, pre-school, metal vehicles, and imports in the $10-$20 range, Price said.

Drug chain buyers said basic toys played the leading role in decent Christmas sell-throughs, as inventory levels were kept close to historical levels.

Results by the nation's retailers were reported mixed overall, although toy stores reportedly did quite well, even without new and exciting items.

"We stayed very basic this past year," said Jim Wuest, Fay's Drug vp-merchandising.

Traditionally strong in promotional toys, Fay's cut back, since "you tie up an awful lot of money, and you can't make any profit," Wuest said.

Wuest said Fay's started its seasonal advertising too early last year. It failed to clear inventory on a Disney promotion with a double-page September launch.

"We started a little too early, and we were a bit too wide in our selection. We came out of September with residue," said Wuest. But that was mostly cleared out later, as Fay's followed with an October promotion centered on Fisher-Price toys, and a November half-price promotion.

Kinney Drugs also scaled back on TV items and had a lower investment in the category overall. "But our gross profit was better because we went with the basics," said buyer Dale Jackson.

G.I. Joe and Barbie were notable frontrunners at Kinney.

Nintendo's game was a big seller at several chains, as were keyboards by Casio and Yamaha.

Gift wrap, Trim-a-Tree, greeting cards, cosmetics, fragrances, and peggable imports at under $5 anchored many programs.

"I think its going to be another basic year," predicted Kinney's Jackson.

"Nobody was really very excited about the new products the companies had [in 1987]. I think it's going to be more of the same for 1988," he said.

Blockbuster lines lose their fire

Basics, pre-school toys, board games, and puzzles were among the better toy performers in 1987, as memories of mighty sales growth based on blockbuster toys or lines receded further into the past.

Retail toy sales totalled $12.5 billion, the same as last year. Manufacturers' shipment dollars were $8.2 billion, compared with $8.3 billion in 1986.

"Although shipment dollars for 1987 were down 1.5 percent, unit sales increased by 13 percent," said Robert Cooper, board chairman of the Toy Manufacturers of America.

"Reasonable year-end retailer inventories and the huge success of video games—which are not included in our industry figures—have led us to conclude that sales at the consumer level were stronger than expected last year," Cooper said.

He added that many small- and medium-sized toy makers reported excellent sales and earnings, particularly makers of high-quality basic toys.

Predicting wholesale and retail sales growth of 5 percent in 1988, Cooper said he expects to see more learning games that incorporate the family VCR; toys that use sophisticated talking and movement mechanisms; and more basic toys that allow children "open-ended creative play."

Drug chains battle mini-labs for market share

Top left: A Dart Drug store in downtown Washington, D.C. attracts heavy lunchtime crowds, many who use convenient photo processing drop, surrounded by cameras, film, flash and batteries in self-service corner by store entrance.

Above: Service at photo counters is vital to upgrading customer purchases of cameras and accessories, and enhancing store image, as at Longs.

Left: Eckerd displays popular 35mm, instant and other films by checkstands, along with flashes to remind many of its tourist customer base to replenish.

The boom in amateur 35mm photography is real, and it continues to shower healthy sales increases on all retailers of photofinishing services, cameras, film and photo supplies, and drug stores. But the technological and demographic forces which are propelling the market are also transforming it.

For the first time in 1987, chain and independent drug stores lost their traditional strong place at the top of the photofinishing market. As a trade class, drug stores saw their unit share of U.S. photoprocessing volume slip two percentage points last year, to 24 percent of the total market.

That slippage was due to the incredible boom of one-hour photo labs, which cater to the new generation of amateur 35mm shutterbugs with convenient locations, speedy service, and at least the perception of quality photofinishing.

Last year, the mini-labs drew 29 percent of the total photofinishing business in the U.S.—a gain of more than five share points in a single year—and knocked drug stores from their longtime perch at the top of the market, according to market data supplied by the Photo Marketing Association.

The one-hour centers are a recent phenomenon, but their growth has been extraordinary. In 1980, there were fewer than 1,000 in operation; by the end of last year, according to the PMA, nearly 15,000 mini-labs had blanketed the U.S., providing a powerful new source of competition for drug stores and other outlets.

"Arguably, no photo processing segment has benefited from the growth in 35mm photography to a greater extent than mini-labs," noted a recent PMA report. "The [photofinishing] market appears to be settling into a two-tier structure with price-competitive photo processing retailers representing one tier, and across-the-counter, service-oriented, on-site retail processors representing the second tier."

The report goes on to say, however, that "these two markets can peacefully co-exist given the fact that the overall processing marketplace is made up of a variety of photographic consumers."

On the other hand, a few drug and supermarket retailers have leaped into the fray with their own in-store one-hour labs. Leading the march among drug chains is Eckerd Drug, which already has more than 60 in-store labs open throughout Florida, and Canada's London Drug, which operates a dozen of the centers and reaps a major share of the photofinishing market in Vancouver, B.C.

Despite the development of highly automated, easy-to-install "washless" developers and printers, however, most drug chains are approaching the one-hour business cautiously. "We're not jumping on it yet, because there's still a lot to be decided in terms of how profitable or worthwhile they'd be on a big scale," said one chain drug photo manager.

Indeed, many drug chains are still adapting to the rapid consolidation of the wholesale photofinishing business, which still accounts for a major share of the processing work done by most chains. The biggest example of consolidation has been the recent merger of Eastman Kodak's photofinishing operation with Fuqua Industries' Colorcraft into a new company called Qualex. The merger was completed at the end of March, creating the country's largest wholesale photofinishing operation.

Whatever method drug chains use to process film, however, is not as important as the benefits they are reaping from an unprecedented boom in amateur photography. The growth has been sparked by the development and accelerating popularity of low-cost, easy-to-use point-and-shoot 35mm cameras in the 1980s.

This overall boom has helped produce a 10.1 percent sales increase in photo-video departments at chain drug stores in 1987.

The new-generation compact 35mm models led the camera market last year, with sales to dealers up substantially to about 7 million units compared with 5 million in 1986. Although much of that growth came at the expense of the waning disc format and the almost extinct 126 pocket model format, the 110 pocket camera remains a strong seller, with sales last year of nearly 6 million units. Polaroid's line of instant cameras also continues to sell extremely well, and the company is developing some highly touted new product innovations—including a filmless electronic imaging system—to maintain sales momentum.

The auto-focus 35s, however, have boosted sales in all photo categories and elevated amateur picture-taking to a more serious, quality-oriented level. For instance, 35mm film now accounts for nearly three-fourths of all film processing, compared with just 30 percent a decade ago. In addition, 35mm now accounts for well over half of all types of film sold, and its share should rise to as much as 75 percent by the end of the decade, according to industry estimates.

"It's more and more competitive, but it's a great thing what the manufacturers have done with 35mm photography," noted Osco spokesman John Kromer recently. "They've gotten more and more away from pocket cameras and into higher-quality photography, and it's driving our processing business."

Meanwhile, manufacturers are now developing new, more advanced point-and-shoot 35s at a frenzied pace. This year, a spate of new auto-focus models with dual lens capabilities has been launched in the U.S., including zoom lens point-and-shoot cameras. As competition among the various manufacturers intensifies and prices come down, the dual-lens models will become more of a standard item for drug retailers.

Disposable cameras represent another area of opportunity. First developed by Fuji in 1986, the throwaways now represent a viable alternative, especially as a seasonal item in vacation areas. The first disposable with a built-in flash unit was unveiled at the Photo Marketing Association Convention in late February.

1987 photo/video department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Film total sales	$ 512,853	10.2%	36.00%
Still color	327,559	11.1	22.99
Instant picture	167,816	8.9	11.78
Movie color	12,341	4.8	0.87
Still B&W	5,137	7.8	0.36
Processing	496,471	13.5	34.85
Flashbulbs/flash attachments	211,658	6.0	14.86
Cameras	139,122	6.5	9.77
Blank/pre-recorded video cassettes	64,529	5.6	4.53
Total	$1,424,634		100.00%

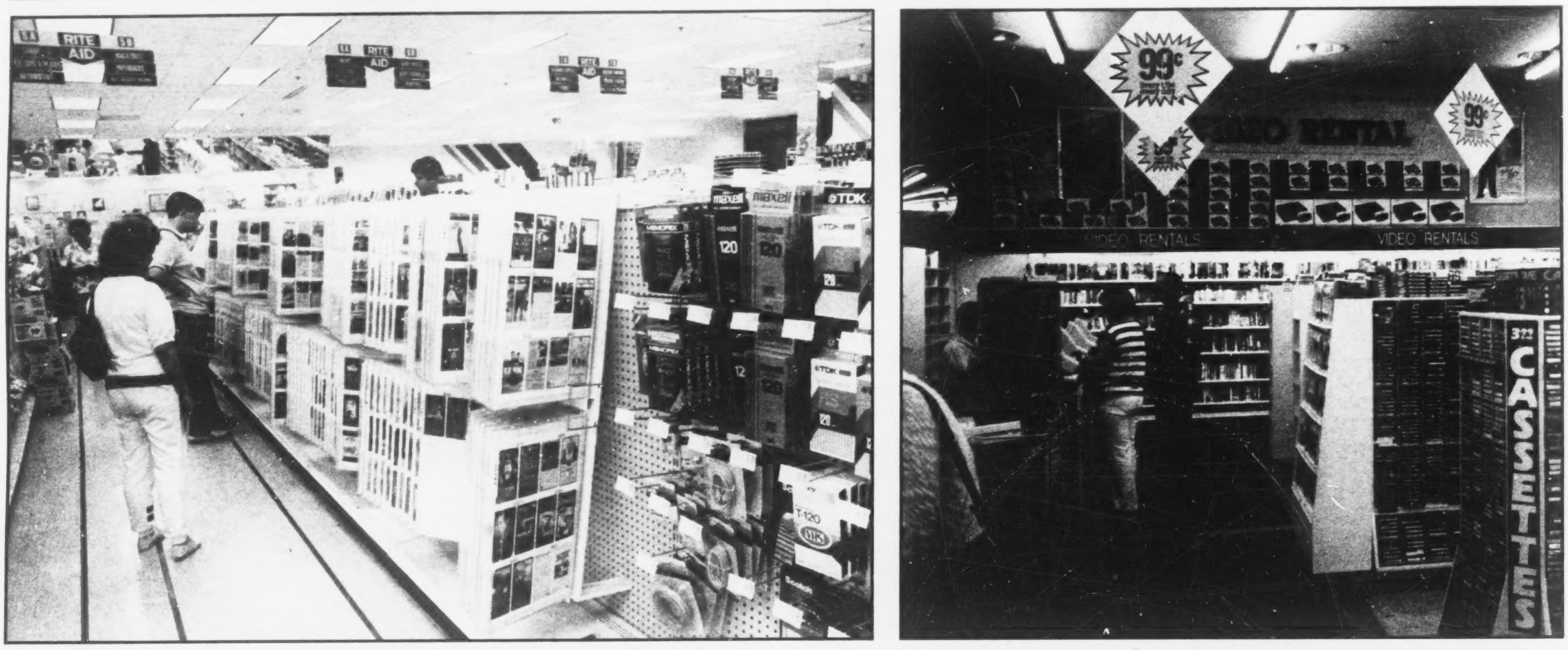
Source: *Drug Store News* survey

1987 photo/video department highlights

Chain drug photo/video sales	$1,424,634,000
1987 percentage increase	10.1%
Percentage of total chain drug sales	4.35%
Typical gross margins	20-25%
Industry profit yield from photo/video last year	$285,000,000 to $355,000,000
Average annual department turns	9.0

Source: *Drug Store News* survey

PRODUCTS



Left: Rite Aid's approach to video merchandising enables shoppers to comfortably browse titles before going to rental counter. Right: At Pay 'n Save, audio and video is blended into an entertainment department. A primary draw is 99 cent rentals.

Video boom spawns new sales, heavy competition

Deep discounter Rx Place displays public domain tapes on spinner racks, promotes selected name movies at less than $20, and sells blank cassettes and accessories in a high impact department.

In a few short years, the home video revolution has spawned a mature, multi-billion-dollar industry. The growth of that industry has tapered off into single-digit figures, but with VCRs now found in about 50 percent of all U.S. households and the level of household penetration still increasing, the outlook calls for a stable, growing market for blank videotape for years to come.

"We are now dealing with a market which can be considered mature and this translates to more conservative growth rates," noted R. Stanton Bauer, general manager of Fuji Photo Film's Magnetic Products Division, in a report on the magnetic tape industry. "We will no longer see the dramatic double-digit annual growth experienced during the period 1983 through 1986."

Nevertheless, Bauer adds, "Single-digit growth on an immense base is still impressive growth."

The VCR boom has drawn thousands of competitors into the fray, however, and made the videotape rental business a competitive headache, at the very least. On the blank tape side, prices have come down steadily as more major manufacturers and virtually all retail classes have become embroiled in the war for sales. Top brand blank videotape can now be found for as little as $3 a tape on multi-pack promotion, and the price competition shows no signs of abatement.

"We bought a big shipment of major-brand videotape on deal, and put out stacks of it in three-packs at $3 a tape," noted George Jeffers, president of Price Less in Sacramento. "It has blown out of here every time we do."

Despite the intensive price promotions, the video market represents a major opportunity for incremental sales and profits. Video and audio tape combined now constitute a market over $2 billion, according to industry estimates, and the market is big enough to give everyone a slice of the pie.

In addition, as drug retailers have moved into the category with more complete selections of major brands, their sales have mushroomed. And by offering the convenience of multi-packs and multiple store locations in tandem with periodic price specials, drug chains have been able to maintain decent margins in the category.

"Blank video has been a very strong category for us, with sales up 300 percent in the past year," noted F&M Distributors president Frank Newman recently, echoing the comments of several chain executives.

"We do very well by stocking a few of the major brands, but we avoid the low-end, cheaper-quality tapes," added a chain drug buyer. "We don't want to risk dissatisfied customers."

Over the past year, most drug chains have capitalized on the growth in demand for high-quality blank tapes by stocking more top-name brands and boosting space for the category. Among recent examples: Pay 'n Save, Eckerd Drug and Phar-Mor. Many are also homing tapes in multiple locations, including a floor stand facing the electronics/photo counter and at end-caps or dump bins facing the check-stands for impulse buying.

Drug chains are also capitalizing on the growing importance of female buyers in a category once considered the province of males. As blank videotape has become a commodity item, with low price points, high use rates and familiar brand names like Kodak, Polaroid, TDK and Scotch, women have emerged as a major part of the market. And because they comprise the bulk of drug store and supermarket buyers, women have helped swing the balance of the videotape market in favor of those trade classes.

The video rental market, on the other hand, seems fraught with peril for chains without adequate financing to handle the large inventory carrying costs and other expenses involved. More and more, the rental business is going to a few major players in each market, as underfunded mom-and-pop operations fall by the wayside.

The handful of drug chains which made an early commitment to movie rental departments in their stores, with adequate staffing, inventory and systems to make the concept work, seem to have overcome the accelerating market shakeout and have made video rentals a viable part of their overall sales picture. Among the most successful are Rite Aid (the nation's leader in rental volume, with hundreds of locations offering thousands of titles), Wellby Super Drug and Phar-Mor.

Phar-Mor, in fact, has begun opening off-price stores with greatly enlarged video rental alcoves after scoring a big hit with the movie business. Its success with the concept is due to its widely advertised price of 69 cents a night—the lowest in town—as well as its ability to keep service costs low and customer traffic high. The chain has also succeeded in using its video department as a customer draw to boost sales throughout the store.

Other major chains which are testing the video rental business include Walgreens, Pay 'n Save and Genovese. Revco and Hook Drugs, meanwhile, have installed video dispensing machines in some of their stores to test the feasibility of service-free movie rentals. The machines offer several hundred VHS titles and fully automated customer transactions, using either a credit card or a membership card.

Nevertheless, the jury is still out about the long-term feasibility of movie rentals for drug chains. Said one chain drug president in the Midwest recently: "You can't build a profitable business renting a $70 item at a dollar a night, which is what a lot of these people are doing. I think it's going to go the way of optical centers; in a few years, most drug chains will be out of it. It's just too competitive."

PRODUCTS

Many drug chains place consumer electronics, small appliances and other general merchandise behind counters so shoppers can be serviced by trained personnel who help induce sales.

Jewelry, with an accent on earrings, is displayed with cosmetics along the front wall of this Norwood, N.J., Cost Cutters, the deep-discount arm of Community Distributors (Drug Fair of New Jersey).

Core general merchandise makes strides in '87

General merchandise/sundries sales increased by 6.2 percent at drug chains in 1987, to $1.3 billion, with electronics, sunglasses and batteries fueling category sales in drug stores.

Many drug chains are raising volume in the consumer electronics segment, increasing their assortments of such items as small radios and "boom boxes," as well as cordless phones, personal stereos and microwaves.

Crown Drug's consumer electronics sales, for example, increased 20 percent in fiscal '87, compared with a 10-12 percent increase the previous year, according to vp Ruben Johnson. Electronic items, which Crown displays behind checkout counters to avoid shrinkage, afford 15-25 percent margins at the chain.

Colors and such items as the Pollenex Splash Dance radio and the Gran Prix portable keyboard helped boost sales, he said, especially appealing to young adults.

Crown also carries Gran Prix radios for promotions and GE models for step-up sales, as well as some boom boxes and Pollenex' Rescue emergency radio.

Sunglass sales top $1 billion

Over-the-counter sunglass sales nationwide topped the billion-dollar mark for the fourth consecutive year, rising to $1.3 billion nationwide in 1987, from $1.2 billion in '86. Of the 189 million pairs sold, drug stores accounted for 21 million, or 11 percent, of total units, according to the Sunglass Association of America (SAA). The average price paid for a pair was $7, compared with an average $6.85 in 1986.

Drug store chains, which generally beef up their sunglass selection during the prime spring/summer selling season, report healthy turns and margins year-round. But growing competition at both ends of the spectrum—street vendors and other conduits of cheaper imports at the low end and upscale specialty sunglass shops and department stores at the other—have eaten into profit margins. In addition, many chains feel compelled to discount sunglasses everyday or through promotions.

Sunglasses are often displayed near checkouts, reaping high impulse sales, but some chains also position them near cosmetics or in other high-traffic areas.

Minneapolis-based Thrifty • White Drug Stores, for example, maintains a half-price spinner rack as well as its regular name-brand sunglass spinner near checkouts in its larger stores.

"We go with the fashions—that's where the sales are," said Ronald Ransdell, director of merchandising. Vendors service Thrifty • White's sunglass area, and "we rely on them on trends," Ransdell added. The chain doesn't position sunglasses near cosmetics, as some chains do, to avoid a cluttered look in its cosmetics department, he explained.

1987 general merchandise productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Pantyhose/softgoods	$ 227,511	6.6%	17.67%
Sunglasses	215,489	6.8	16.74
Batteries	188,005	10.0	14.60
Pet needs	170,921	4.4	13.28
Sporting goods	142,754	3.9	11.09
Watches/bands	115,326	5.4	8.96
Home electronics	110,085	8.1	8.55
Yarn/sewing notions	78,483	2.9	6.10
Miscellaneous	38,845	3.8	3.02
Total	$1,287,419		100.00%

Source: *Drug Store News* survey

1987 general merchandise department highlights

Chain drug general merchandise sales	$1,287,419,000
1987 percentage increase	6.2%
Percentage of total chain drug sales	3.93%
Typical gross margins	35-45%
Industry profit yield from general merchandise last year	$450,000,000 to $580,000,000
Average annual department turns	5.0

Source: *Drug Store News* survey

Chains generally depend on vendors to maintain racks featuring the latest styles and colors as well as basic lines. The price of sunglasses in drug stores averaged $8.57 in 1987, according to the SAA, but some drug chains with stores in affluent areas go as high as $150.

32 batteries per household

Batteries continue to be a high-turn impulse item for drug stores, generating big profits and ranking among the top 10 most frequently cited, regularly available products at checkstands. [*See* Drug Store News *Checkstand Merchandising Study, March 14 issue.]*

Consumers spend about $2.5 billion a year on batteries, with the average household buying 32 annually to use in 10 battery-operated devices, according to a survey by Duracell. Forty percent of that spending comes in the latter part of the year, for gift-giving holidays.

In all, shoppers spent $188 million on batteries at chain drug stores in 1987.

Drug chains, faced with formidable competition from mass merchandisers, are using more aggressive tactics to hold battery market share, including more floor racks for cross-merchandising, displays in heavily trafficked aisles and tie-ins with vendors' promotional schedules.

Hearing aid batteries are gaining importance for some chains, with Eckerd, for example, using the specialty batteries to emphasize its health care image as well as boost category profits. The growth of the elderly population and the increase of those using two hearing aids have helped make the segment a $73 million market that is growing at a 14 percent annual rate.

Pantyhose sales flat

Pantyhose sales nationwide were basically flat in 1987 at $1.8 billion, possibly dampened by a significant shift to longer-wearing Spandex sheer styles, according to a spokesman for MCRA, based in Stamford, Conn.

Overall, pantyhose average $1.90 a pair, while drug stores' average price is $1.55. Discount stores and catalog mail-order operations grab the largest share in units, with 20 percent apiece. Drug stores have a 9 percent share of units; food stores, 14 percent; department stores, 10 percent; the remainder is accounted for among such operations as Sears and JC Penney and small hosiery outlets, according to MRCA surveys.

Chains generally position pantyhose near cosmetics, for multiple sale opportunities.

Jewelry

Crown's Johnson said that since his chain began to use a L'eggs-Timex service plan last fall, in which the hosiery and watches racks are serviced on a cooperative basis, watch sales have increased by 30-35 percent.

Drug store chains, which generally beef up their sunglass selection during the prime spring/summer selling season, report healthy turns, margins year-round.

Crown offers Timex and Lorus watches, from $9.95 to $49.95, with margins running about 20 percent after an everyday 20 percent discount.

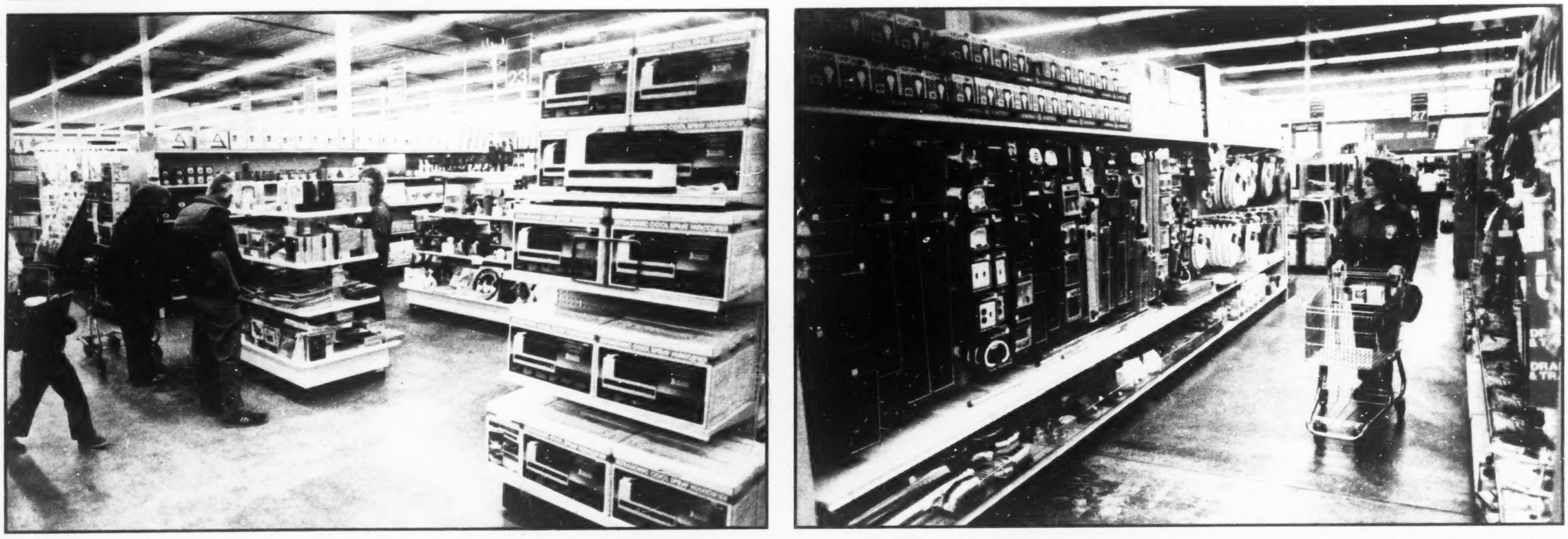
Vendors often work closely with chains to service the jewelry section and prevent shrinkage, although, in the view of Ron Ransdell at Thrifty • White, "The best way to prevent shrinkage is for our clerks to say, 'Hi, how are you' " to let browsers know someone's minding the store.

Although many chains don't promote jewelry, Eckerd promotes year-round through a full-color page in six circulars.

Thrifty • White runs promotions of 97 cent items, with its everyday jewelry selection running between $3 and $5, and up to $30 in its large White Mart general merchandise stores. Ransdell reports the best sellers are earrings, bracelets and silver and gold chains.

The chain works with such vendors as Marle on a two-week call basis for service.

PRODUCTS



At Bi-Mart, Lincoln City, Ore., shoppers (l) can circulate easily within varied housewares department, which devotes prime space to humidifiers, but also displays porcelain mugs, giftware and other tabletop items. Woman (r) examines bath accessories on totally self-service peg display.

Chains continue steady sweep in housewares

Walgreens in Newton, Mass., positions its brand against some of the leading sellers in chemicals and room fresheners. Note full facings and grouping by product function. Inset: Fay's, a heavy general merchandise retailer, devotes equal space to GE and its store brand bulbs. It also displays nightlights and extension cords to fill customer replenishment needs and yield high margins.

Housewares didn't provide many surprises at drug chains in 1987.

The category simply logged its reliable rate of growth as the fifth largest category in this class of trade. Housewares sales overall grew 4 percent last year to $2.1 billion, largely on the strength of expanded efforts in household supplies, electronic humidifiers, lighting and personal care appliances.

Playing off regular visits

Drug store operators figure, and rightfully so, that their stores offer generally quick in-and-out shopper visits and are well suited to merchandising items which consumers replenish regularly. Certainly, household chemicals and cleaning supplies and lighting fall into this category.

Cleaning goods rose nearly 6 percent, thanks largely to presell advertising to consumers by major manufacturers, and constant promotional and endcapping efforts by retailers. One New York chain recently offered 96 ounces of Liquid Tide at a $3.99 sale price. This was augmented by a $3 manufacturer rebate coupon, bringing the consumer's cost down to 99 cents—for an item that often sells at food stores for $5.

Twenty-four foot runs

Deep discounters have long recognized the shopping attraction of household supplies, and devote runs of 24 feet and more to the category.

The growth of lighting products outstripped that of every other housewares category. Its 6.2 percent gain last year reflects a greater willingness by retailers to merchandise bulbs by brand and function, making it easier for consumers to shop.

Major category suppliers have worked hard to presell consumers and develop display fixtures that clearly delineate bulbs. Bulbs are high margin everyday, leaving plenty of room for constant promotions meant to prompt stock-up sales. It is common to see lighting fixtures near main traffic aisles, as in many Eckerd stores, to generate impulse purchases.

No. 1 category: Plastic housewares

Drug store operators also continued to make promotional gains with electronic humidifiers in $30 to $50 range. Plastic housewares, including microwave cookware, held its rank as the largest housewares category, at $442 million at drug chains last year.

On the fashion side, plastics sported mauve and slate blue colors often, reflecting color preferences that are generally played to more aggressively at such discounters as K mart, Wal-Mart, Target and Bradlees. Even space-constrained drug stores found opportunities here, however.

At one Longs store, for instance, 70 feet of Rubbermaid plastic storage bowls, dishracks, laundry baskets and trashcans were displayed in blue, pale pink, white and tan.

In its well developed housewares department, Longs offered kitchen utensils, cookware and gadgets on adjacent displays, and small electrics and personal care appliances across the aisle.

A different approach was shown by Thrifty in a recent circular, which promoted 9-inch glazed stoneware bowls for 99 cents and sets of two non-stick frying pans for $5.00. The same circular showed, in a far higher price range, Black & Decker irons at $27.99 and $42.99.

Similarly, Osco highlighted higher-priced appliances to draw traffic, while still stocking a wide range of basic lower-priced items.

1987 housewares department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Plastic and rubber housewares	$ 441,561	4.4%	21.20%
Household supplies	241,095	5.7	11.58
Personal care	233,194	6.1	11.20
Small electrics	198,134	2.8	9.51
Glassware/dishware/cookware	186,154	0.3	8.94
Paper products	155,774	3.7	7.48
House and kitchen gadgets/gourmet	120,167	5.6	5.77
Lighting products	98,080	6.2	4.71
Picture frames/mirrors	68,906	1.4	3.31
Insecticides	65,789	4.8	3.16
Furniture/outdoor furniture	54,988	2.9	2.64
Plants/plant care	49,810	4.8	2.39
Bath/closet	37,012	1.7	1.78
Giftware	26,033	0.7	1.25
Vaporizers/humidifiers	22,333	4.5	1.07
Miscellaneous	83,609	2.0	4.01
Total	$2,082,639		100.00%

Source: *Drug Store News* survey

1987 housewares department highlights

Chain drug housewares sales	$2,082,639,000
1987 percentage increase	4.0%
Percentage of total chain drug sales	6.36%
Typical gross margins	35-45%
Industry profit yield from housewares last year	$730,000,000 to $935,000,000
Average annual department turns	3.0

Source: *Drug Store News* survey

$2.99
Extra
10 PAK
Long Lasting Fresh Breath

Eveready, Rayovac and Garrity flashlights are pegged in this Walgreens do-it-yourself section. Inset: Crown Drugs displays a broad assortment of high-margin specialty lamps adjacent to a DIY section in this Winston-Salem store.

Non-pros fuel do-it-yourself sales growth

Some chains favor do-it-yourself departments as a way to capture the weekday convenience trip, though the category has carried less importance at drug chains with the rise of mammoth home center chains.

Still, DIY posted a nominal 1.2 percent sales gain at drug chains in 1987 to $405 million.

There is plenty of consumer demand for home improvement and auto supplies.

The growth of spending for home repairs among nonprofessionals in fact fueled most of the overall growth of home repair spending in 1987. Homeowners spent $67.95 billion, eight percent more than the year before, as the total home improvement market hit $99.46 billion, the Do-It-Yourself Research Institute reported.

The automotive aftermarket is expected to rise as much as 15 percent in 1988, the Automotive Parts & Accessories Association predicted recently. This will be fueled by a large number of cars bought two to three years ago coming out of warranty.

Such jobs as tuneups and fluid and chemical changes, often ordered while cars are being repaired in the garage, will be resumed by the car owners, sparking retail demand, an APAA spokesman said.

But 1987 was a year that saw some notable drug industry cutbacks in automotive supplies.

Perry Drug took the biggest leap from auto parts retailing when it sold off its auto parts division. Concurrently, auto parts departments in its drug stores have been pared back, as part of a larger cutback in general merchandise, including marine, pet supplies and sporting goods. The stores will retain minimal auto sections with items such as windshield washing fluid, oil and antifreeze, Perry has said.

1987 do-it-yourself department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Hardware	$178,567	0.1%	44.11%
Automotive	168,175	4.0	41.54
Paint/paint supplies	58,098	−2.8	14.35
Total	$404,840		100.00%

Source: *Drug Store News* survey

1987 do-it-yourself department highlights

Chain drug do-it-yourself sales	$404,840,000
1987 percentage increase	1.2%
Percentage of total chain drug sales	1.24%
Typical gross margins	35-45%
Industry profit yield from do-it-yourself last year	$140,000,000 to $180,000,000
Average annual department turns	3.0

Source: *Drug Store News* survey

Items such as small hand tools and electrical cords and tape formed the core of DIY departments at many chains. Walgreens and Eckerd are among large chains that feature space-efficient displays at high traffic locations to capture high margin impulse purchases.

At LaVerdiere's, battery-operated Black & Decker handtools priced $19 to $35 were prime performers. The Maine-based chain can receive 25 to 28 percent margins on B&D tools such as rechargeable screwdrivers and 3/8 inch drills, and a 12-volt car vacuum cleaners, said Jim Poulin, LaVerdiere's vp-purchasing.

A typical 24-foot section will also include automotive accessories and spray paint.

High-ticket tools and lawn and garden items have to be priced competitively with discounters K mart and Zayre, Poulin said.

"We tried some no-name products last year and we did not do well with them," Poulin said.

Competition from the mass merchandisers and supermarkets has eroded motor oil margins. But LaVerdiere's still does a significant volume, with brands priced at 79¢ to 89¢, and private label at 69¢.

The chain's Maine neighbor, Wellby Drugs, takes a far lower DIY profile. In fact, apart from three to four feet of motor oil (which it doesn't promote) and windshield washer fluid, it carries no DIY items. The chain feels the stores lack the space, says general merchandise buyer Tina DiMillio.

Memphis, Tenn-based SuperD drugs similarly finds limited room in its stores for DIY. And auto parts are avoided since they would compete against the free-standing auto parts stores that SuperD's parent Malone & Hyde is rolling out in force, SuperD officers have said.

Pay Less NW makes one of the strongest do-it-yourself statements, and regularly promotes items such as paint and auto accessories.

It recently launched circular ads featuring a $9.99 rotary car washing brush at a $6 savings, a $4.99 two-dollar savings on a gallon of paint, and windshield wiper blades at $1.99 a pack.

DRUG STORE NEWS®

INSIDE PHARMACY®

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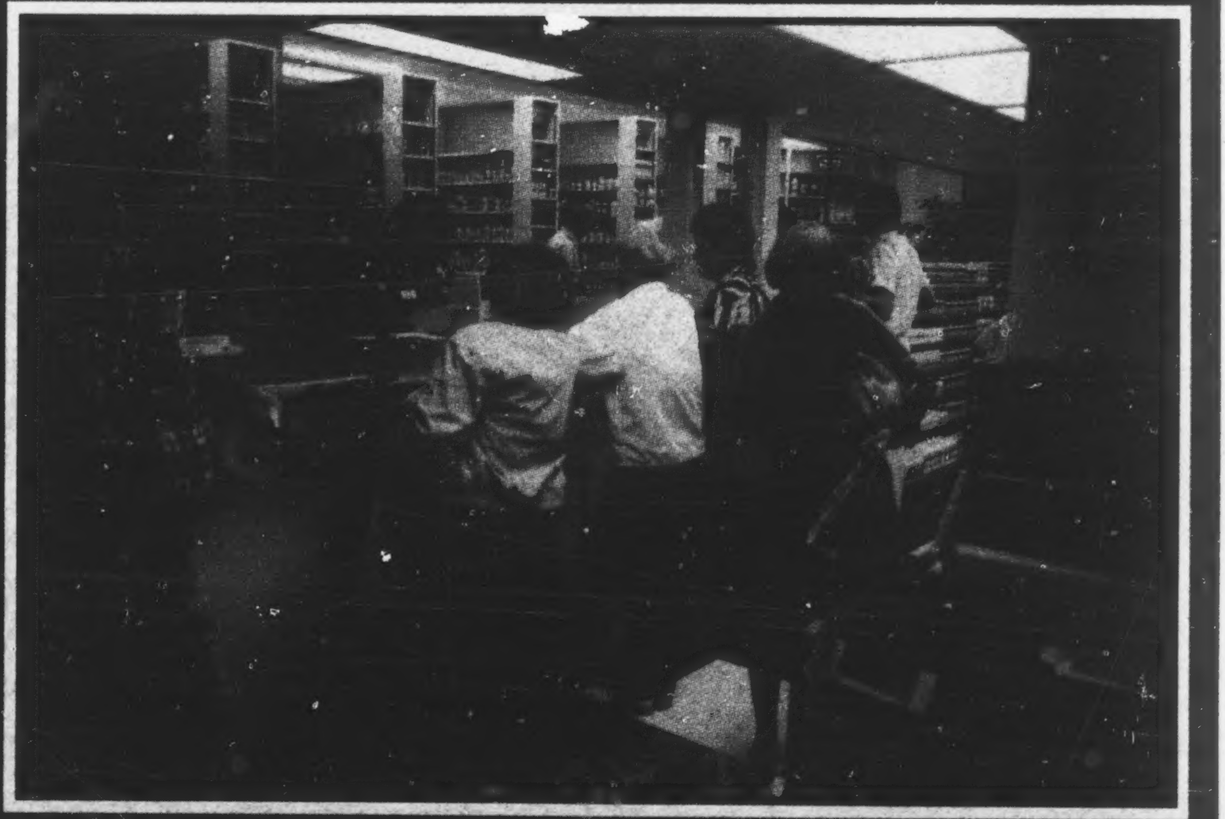
ANNUAL REPORT OF RETAIL PHARMACY



IP1

1988 ANNUAL REPORT OF RETAIL PHARMACY

Pharmacy gets back to the basics

Chains and independents alike found that profit opportunities resided in core categories, and in providing a personal touch

Editor's note: Annual sales figures for 1987 may not portray 1987 as the best year the pharmacy business has had, but for the profession overall it was a good year.

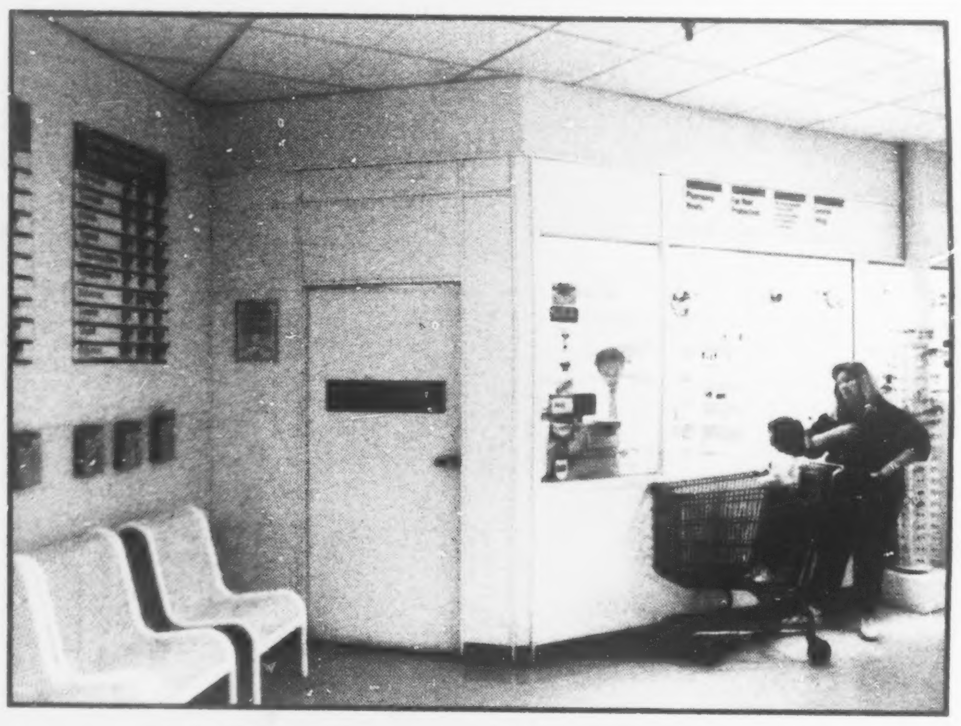
Chain and independent pharmacy owners returned to promoting their core business, the most notable part being the prescription department. Computer technology and encouragement from management brought more pharmacists from behind their counters to counsel patients on prescription and OTC medications.

With this renewed flurry of professional activity in the marketplace, it is only fitting that Inside Pharmacy *launch its Annual Report of Retail Pharmacy.*

Although pharmacists enjoyed an enhanced professional image in 1987, the year was not without problems. Exclusive third-party contracts took a toll on the bottom line, especially for the more vulnerable independents.

Pharmacists also saw the spread of a new breed of competition from mail order pharmacies and dispensing physicians. At the same time, nontraditional pharmacy competitors like supermarkets, combos, and discount stores cut a larger slice of the prescription and OTC pie.

We hope that our Annual Report of Retail Pharmacy not only offers a review of these events, but also gives some insights on to what to expect for pharmacy in the future.



Competing West Coast operations, such as Longs (above left), Vons (top), and Thrifty (left) have step-down counters for consultation. For more photographic examples of consultation strategies, see page IP24.

Chain and independent drug store retailers took a giant step back to basics last year with a strong emphasis on pharmacist-patient consultation and aggressive marketing of their prescription departments. Although 1987 was somewhat disappointing for retail pharmacies financially, with only modest gains in prescription sales, professionally it was a rewarding year.

A heavy concentration of third-party prescription business, with its emphasis on substitution of lower-priced generics, kept dollar sales of prescriptions at chains and independents lower than expected. The retailers scored a somewhat disappointing, but still respectable, 8 percent gain in prescription dollars, and saw an inflationary increase in the average prescription price of just over one dollar to $14.90.

Heavy competition from mail order pharmacies and non-traditional drug outlets that include supermarkets, combo stores, and discount operations, took its toll in bottom line figures. The number of prescriptions filled in 1987 remained relatively flat, climbing by just 1.3 percent. This, combined with a 2 percent gain in the number of stores, caused a 1 percent drop in the number of prescriptions filled per store.

The chain segment of the market, which currently enjoys a greater share of third-party prescription plan business, posted a 7 percent increase in number of prescriptions filled, and an 11 percent gain in dollar prescription sales. The average price of a prescription at a typical chain store rose 3.6 percent to $13.38.

But despite a relatively flat year for prescription performance, pharmacists heightened their professional image by spending more time consulting with patients.

A nationwide survey of 800 pharmacists conducted by the American Pharmaceutical Association showed that 87 percent of the pharmacists in the poll were involved in some type of patient counseling during the course of an average week.

Among the most frequently counseled subjects were vitamins, hypertension, diabetes, birth control, sexually transmitted diseases, AIDS, and the selection of condoms.

As more pharmacists came from behind the prescription counter to counsel patients, consumers gave them an unmistakable new vote of confidence. A 1987 SRI Gallup Poll ranked pharmacists number one in the eyes of the public in terms of "honesty and ethical standards."

All this activity was apparently having an effect at the high school level as well. According to a report by the American Association of Colleges of Pharmacy (AACP), enrollment in U.S. pharmacy schools increased by 3.8 percent in 1987.

Helping to add dollars to prescription department coffers were a bevy of new drugs to treat everything from AIDS to leprosy.

One of the more controversial drugs to make its way into the marketplace in 1987 was Burroughs-Wellcome's AIDS drug Retrovir (zidovudine),

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Top 10 products of 1987's U.S. retail prescription sales

(at acquisition cost)

1. **Zantac** (Glaxo)
2. **Tagamet** (SKF)
3. **Cardizem** (Marion)
4. **Naprosyn** (Syntex)
5. **Tenormin** (ICI Pharma)
6. **Dyazide** (SKF)
7. **Xanax** (Upjohn)
8. **Procardia** (Pfizer)
9. **Capoten** (Squibb)
10. **Ceclor** (Lilly)

Source: Pharmaceutical Data Services

Prescription department summary

All drug stores

	1986	1987	% change
Consumer Sales ($ millions)	$21,693	$23,454	+8.1%
Scripts (millions)	1,554	1,574	+1.3
Average Rx price	13.93	$14.90	+7.0
Scripts/store/year	29,432	29,173	−0.9
Stores	52,800	53,963	+2.2

Chain drug store

Consumer sales ($ millions)	$8,474	$9,431	+11.3%
Scripts (millions)	659	705	+ 7.1
Average Rx price	12.89	13.38	+ 3.6
Scripts/store/year	33,948	33,630	− 0.9
Stores	19,412	20,977	+ 8.1

Source: *Drug Store News Survey*

MD dispensing, mail order issues just won't fade away

Top 10 pharmaceutical companies based on U. S. retail prescription sales

(at acquisition cost)

1. MSD
2. SKF
3. Upjohn
4. Glaxo
5. Pfizer
6. Wyeth
7. Lilly
8. Syntex
9. Marion
10. Ayerst

Source: Pharmaceutical Data Services

NEW YORK — While the cash registers were busily ringing prescription sales in 1987, pharmacists still wrestled with some old issues that continue to have a profound effect on how retail pharmacy is being practiced in today's marketplace.

Two of the strongest and potentially damaging competitive issues retail pharmacists faced last year were the escalation of physician dispensing and the spread of mail order pharmacies nationwide.

One study by Almed Focus indicates an upsurge in physician dispensing. The study shows that approximately 8 percent of doctors are already dispensing prescription drugs for payment, and predictions are that as many as one in six primary care physicians could be dispensing drugs this year. A majority of those physicians surveyed who are currently dispensing drugs from their offices said that they are not dispensing more than 55 percent of the drugs they prescribe.

Some states have already taken steps to keep dispensing physicians in line by mandating that they follow pharmacy board regulations in that state. In North Carolina, for example, an amendment to the state's Pharmacy Practice Act requires physicians who want to dispense to obtain a $200 permit. Failure to comply with the various record-keeping requirements of the law could result in a revocation of the physician's license to practice.

While chances of getting a national law regulating physician dispensing look slim, such a bill, sponsored by Rep. Ron Wyden (D-Ore.), has received support from the National Council of Senior Citizens. The organization called physician dispensing "a clear conflict of interest" and "an important medical problem" for older Americans.

And earlier this year, pharmacists received another vote of confidence from consumers on the physician dispensing issue. A survey conducted by the Roper Organization for the National Association of Retail Druggists (NARD) showed that a ratio of four to one of the nation's consumers "prefer to buy medications at a pharmacy rather than at a doctor's office."

Mail order

While physician dispensing appears to be rooted primarily in rural areas not served adequately by retail pharmacies, mail order pharmacy is beginning to spread into all areas of the retail pharmacy community.

A new report by the management consulting firm of Arthur D. Little predicts that mail order drug sales will increase 30 percent a year through 1991, to reach $2.8 billion or 10 percent of the total U.S. pharmaceutical market. The number of prescriptions dispensed by these facilities is staggering.

In 1986 alone, the Veterans Administration and the American Association of Retired Persons dispensed some 28 million prescriptions, almost 75 percent of the total market. At Baxter Travenol's mail order Prescription Service Division, it is not uncommon to see thousands of prescriptions being packaged for mail delivery.

The report said that as mail order continues to spread its roots, it could have a devastating effect on retail pharmacy. It is predicted that by 1995, drug stores will only account for 60 percent of the U.S. drug dispensing market, down from 85 percent in 1975 and 80 percent in 1985.

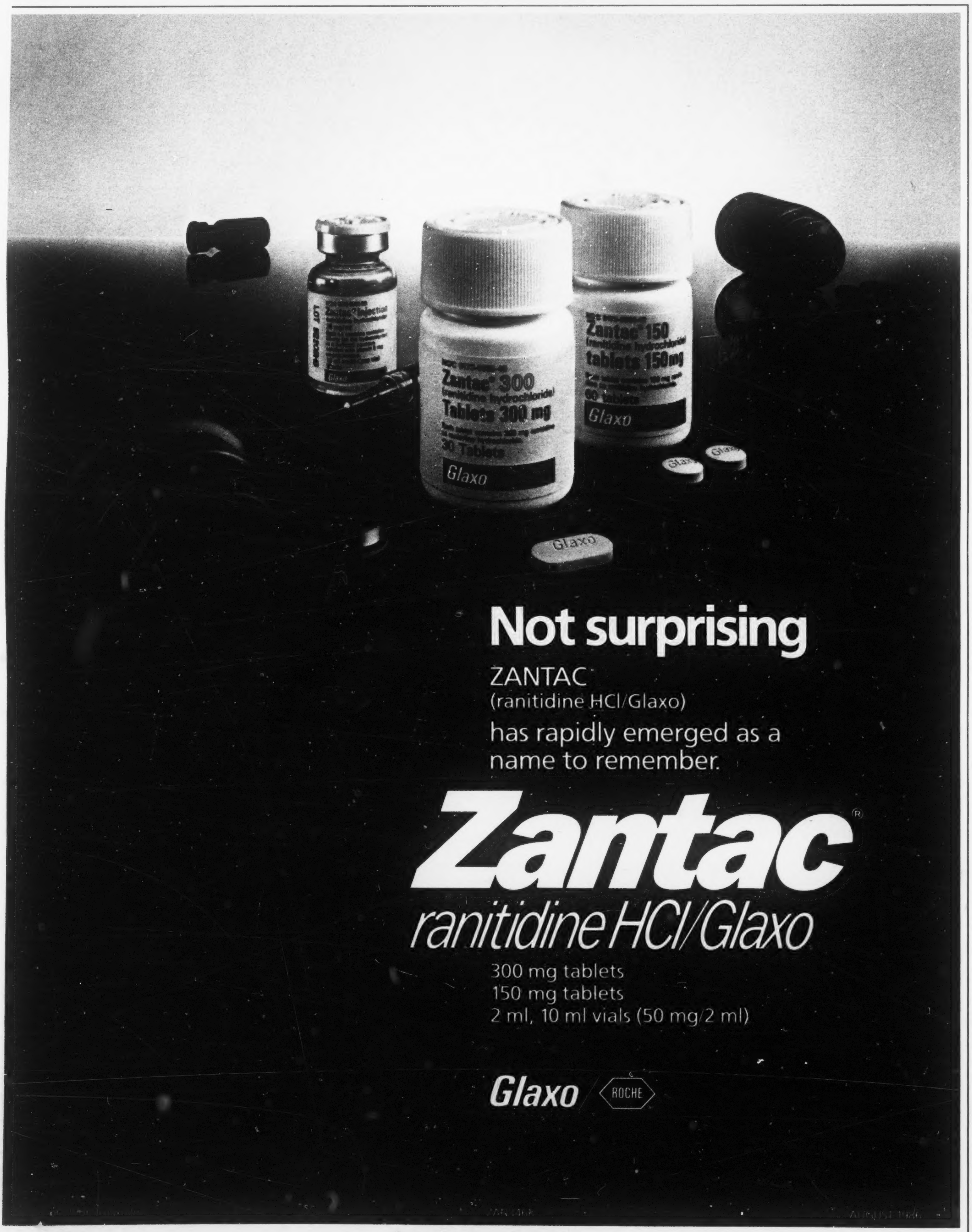
Although the mail order industry is basically controlled by only a handful of providers, including two major chains, its competitive bite has already been felt by many. Making it especially difficult for retail pharmacies to compete is the fact that much of the mail order business is being driven by third-party benefit programs.

One of the latest contracts to be landed by mail order providers is one with Blue Cross/Blue Shield that offers federal employees and retirees first-dollar coverage for mail-order prescriptions. Prescriptions obtained from retail drug stores are covered only after a $250 deductible is satisfied.

The cry from the National Association of Retail Druggists (NARD), a staunch opponent of mail order pharmacy, is that consumers are being denied freedom of choice. Despite NARD's efforts to thwart mail order from encroaching on walk-in retail pharmacy operations, mail order providers are doing a land office business.

Martin Wygod, ceo of Medco Containment Services, one of the top three prescription mail order companies in the country, reports that his company's sales increased from $100 million in 1981 to $750 million in 1986. He estimates that mail service sales will increase 30 percent per year through 1991, reaching $2.8 billion (or 10 percent) of the total domestic prescription drug market.

Thrift Drug, operator of Express Pharmacy Services, operates four facilities and filled over 1.5 million prescriptions in 1986, and projects 2.2 million this year.



Circle #7 on Reader Service Card

'88: AZT rushed to market; technology makes inroads

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more commonly referred to as AZT.

Because of the lethal nature of the disease it treats, AZT made it through FDA testing to pharmacists' prescription counters faster than any other prescription drug in history. In effect, final clinical trials were being done in the retail marketplace, a most unusual event for the conservative U.S. pharmaceutical industry.

Last year was also a good year for Merck Sharpe & Dohme. Three new successful entries (Pepcid oral suspension, Vasoretic, and Mevacor) helped it become the number one pharmaceutical company in 1987 based on U.S. retail prescription sales at acquisition cost, according to Pharmaceutical Data Services, a Phoenix-based marketing company.

PDS also reported that Mevacor, used to reduce cholesterol, already has claimed a 35 percent share of new prescriptions in that therapeutic category.

Creative marketing was the buzzword last year for some pharmaceutical companies. Merrell Dow continued to air an advertising campaign for its non-sedating antihistamine, Seldane. G.D. Searle unveiled a unique program that offered consumers a full refund on any of the company's prescription drug products that do not achieve "the desired therapeutic benefits."

Technology important too

As more pharmacists began to feel the crunch of third-party prescriptions in their stores last year, they turned to computers to cope with the extra billing and record keeping necessary to compete in the third-party marketplace.

Towards the end of last year, a study of computer technology in retail pharmacy that appeared in *Drug Store News* uncovered that approximately one-quarter of the 50 chains surveyed reported having their prescription departments equipped with computer systems, and 68 percent said they would have all their stores up and running by this year.

The computers have been a boon to retailers for a number of reasons. Some of the most important include: current price updating, filling and reconciling third-party prescription forms, tracking patient profiles, and allowing more time for the pharmacist to consult with the patient.

One of the year's major trends was the chains' use of their computer systems as marketing tools as well as a device to increase productivity.

According to the survey, 87 percent of the chains polled said they were promoting their pharmacy computer system through newspapers, circulars, and radio and television. Walgreens ran radio spots explaining that its system was chainwide, and how prescriptions filled in one store could be filled in any Walgreens store nationwide.

CVS's extensive advertising campaign explained how its computer could catch drug interactions.

Does the future lie in the hands of consumers?

NEW YORK — What can retail pharmacy expect in the future? While all indications point to a continuation of the competitive spirit that has gripped the profession over the past several years, many industry observers believe that the future will be in the hands of the consumer.

As third-party contracts with major corporations continue to drive the number and dollars of prescriptions being filled, ultimately it will be the consumer who must put up with busy pharmacies who are contracted to fill their prescriptions, or have prescriptions filled only by mail.

As the costs of innovative new drugs continue to rise because of heavy R&D, cost containment will become an even greater priority for prescription benefit planners. While the generic-versus-branded battles will continue to be fought in the retail pharmacy marketplace, branded pharmaceutical companies may be facing their most critical issue yet—therapeutic substitution, or as some prefer to call it, therapeutic interchange.

Substituting from a formulary based on therapeutic category, similar to what is being done in hospitals around the country, could have disastrous effects on research-intensive pharmaceutical manufacturers. Efforts to pass legislation that will stop or curtail therapeutic substitution is already underway in several states.

The increased competition will also breed new players in the retail pharmacy marketplace. Plans are already afoot by at least two cable TV companies, Home Shopping Network and Cable Value Network, to provide at-home TV shopping of prescription drugs and other health-related products.

And finally, this year will probably see the passage of a new Medicare catastrophic drug benefit that will enable Medicare-eligible individuals to get prescriptions filled for a nominal co-payment once a deductible has been met.

Polygraph testing, Medicare confront Congress in '88

WASHINGTON — Congress is closing in on a series of bills of concern to pharmacists, including legislation to curb drug diversion, permit polygraph testing of pharmacy counter personnel, and create a massive new Medicare outpatient drug program.

As passed by the House, the new Federal polygraph bill prohibits lie detector testing of all non-governmental employees except those with access to controlled substances.

That exception was adopted over the objections of the American Pharmaceutical Association (APhA) and other pharmacists groups, which argued that pharmacy employees deserve the same level of protection afforded to other private sector workers.

As an accommodation to the National Association of Chain Drug Stores (NACDS), the National Association of Retail Druggists (NARD), and other industry groups, however, the House agreed to exempt pharmacists and other prescription department personnel.

According to drug store industry officials, lie detector testing of employees and job applicants is an essential tool for screening out drug abusers from positions of trust within pharmacies.

Both proposals offer incentives to encourage pharmacists to substitute cheaper generic drugs.

Companion legislation passed by the Senate, however, does not contain a similar exemption for pharmacy personnel. Instead, that legislation would prohibit only pre-employment polygraph screening of job seekers, while permitting the use of lie detectors to investigate specific incidents of suspected employee dishonesty.

Whether or not pharmacists and other pharmacy department workers will be exempted from the final bill will depend on the outcome of a special House-Senate conference responsible for ironing out the differences between the two versions.

Significantly, however, the bill's chief Senate sponsor, Sen. Edward Kennedy (D-Mass.) has already agreed to accept the House-passed controlled substance exemption in conference [see accompanying story], and drug store industry lobbyists are convinced that as a result pharmacists will not be covered by the final version.

Meanwhile, a separate House-Senate conference committee was, at press time, resolving differences in the Medicare "catastrophic coverage" bills passed late last year by the two chambers. Both the House and Senate versions would create a new Medicare outpatient drug program offering prescription benefits to millions of senior citizens.

Both bills impose a stiff, 20 percent co-payment requirement, both require a high annual deductible ($500 in the House measure and $600 in the Senate version), and both require pharmacists to perform a variety of "administrative" chores, including keeping track of each Medicare patient's annual deductible.

In return, the House proposal would pay pharmacists a $4.50 "administrative fee" per prescription which would be "indexed" or adjusted annually for inflation, plus the drug's average wholesale price (AWP) which would be determined every six months.

In contrast, the Senate bill calls for an administrative fee of $4.50 per prescription for participating Medicaid pharmacies ($3.50 for non-participants) plus the AWP (which would be calculated once annually). Like the House version, the Senate measure provides for indexing the administrative fee to adjust for inflation.

Both proposals offer incentives to encourage pharmacists to substitute cheaper generic drugs. Under the Senate bill, multisource drugs would be reimbursed at 150 percent of the AWP for the lowest-priced version, while the House bill would pay 50 percent of the AWP for the brand name "reference product."

Although drug store industry groups such as NARD and NACDS have endorsed the proposals to establish a new Medicare drug program, pharmaceutical manufacturers are waging an aggressive lobbying campaign to defeat the House version in conference.

Joining with groups such as the Pharmaceutical Manufacturers Association in support of the less pro-generic Senate bill are industry-supported organizations representing physicians.

In a letter soliciting support from senior citizens for the Senate version, officials at the Washington, D.C.-based Physician's Committee for Quality Medical Care charged that the House bill would "lead to higher premiums for nearly all participants in Part B of Medicare" while providing benefits to only one in seven elderly Americans.

"The House bill would also allow government to deny payment for some medications—*even if your doctor decides they're best for you*," Committee President Francis Davis, MD, told seniors. "The Senate bill, however, pro-

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Anatomy of how the Senate cut a deal on polygraph legislation

WASHINGTON — During the debate over pending polygraph legislation, Sen. Wyche Fowler (D-Ga.) was prepared to introduce an amendment exempting pharmacists and other prescription department employees from the nationwide ban on workplace lie detector tesing. But an agreement with Senate Labor Committee Chairman Edward Kennedy (D-Mass.), the bill's chief sponsor, made Fowler's amendment unnecessary.

Here's the deal that was cut on the Senate floor:

Sen. Fowler: "We need the continued use of the polygraph for pre-employment screening of those who handle controlled substances. The House passed by a very wide margin such an exemption to the Williams bill—by a vote of 313 to 165. Would the Senator from Massachusetts be willing to accept that language in the conference between the two bodies on this legislation?"

Sen. Kennedy: "Senator [Orrin] Hatch (R-Utah) and I have discussed this, we have discussed this with the other Senate conferees, discussed this with the sponsors of the House amendment, and discussed this with the principal sponsors and likely House conferees. We will be willing to agree to recede to the House conferees' insistence on the amendment dealing with the employees who handle controlled substances."

Mr. Fowler: "I thank the Senator from Massachusetts, and will not offer my amendment."

FDA's approval process still a long row to hoe

WASHINGTON — Despite continuing efforts by the Food and Drug Administration to shave the average time required for approval of new drugs, the process from laboratory to pharmacy shelf can still take well over a decade.

According to a recent FDA study on new drug development in the United States, "important medical advances" in 1985 took nearly two years less from completion of laboratory testing to final FDA approval than drugs processed in the early 1980s. Nevertheless, in an analysis of the time required for research, development and approval, the FDA study showed that the process from initial synthesis to approval of new drug application can be a long one. For example, combined industry research and development and FDA testing and approval required an average of about 100 months.

Specifically, the report found that time required for preclinical research and development (initial synthesis and animal testing) ranged from one to three years, with an average of 18 months. Clinical testing required from two to 10 years, with an average of five years. Finally, FDA review by the agency required from two months to seven years with an average of two years.

According to FDA Commissioner Frank E. Young, the agency is committed to getting safe and effective drugs to the marketplace in the shortest possible time. However, the road to "safe and effective" new drugs is a long one.

"The drug development process can be viewed as a series of progressive steps, each designed to highlight drugs of real promise and to weed out those that could be harmful or simply won't work," Young said.

Initially, pharmaceutical firms conduct thousands of laboratory and animal tests, and with FDA approval proceed to human ("clinical") testing. According to Texas A&M economist Steven Wiggins, manufacturers spend an average of $65 million to develop a new drug.

Before an investigational drug can proceed to clinical trials, the FDA must review results of the lab and animal testing, information on testing of the product in other countries and plans for the human testing. Only after the IND receives this initial FDA go-ahead can clinical tests begin.

"Normally, clinical trials are carried out in three phases involving progressively larger numbers of people," explained Office of Health Affairs staffer Ken Flieger.

Phase One trials focus on "learning more about the safety of the drug." The tests usually involve less than 100 healthy volunteers.

Phase Two uses a few hundred patients "and is designed to show whether the drug is effective in treating the disease or condition for which it's intended."

Phase Three clinical trials often involve several thousand patients "who have the condition against which the drug is effective." This research seeks information on "less common and even rare side effects and adverse reactions."

Congress legislation curbing drug diversion pending

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hibits government from . . . denying reimbursement for specific drugs prescribed by your doctor, as long as the category of drugs is covered."

Still another hot issue on Capitol Hill affecting pharmacists is pending legislation to curb drug diversion. That bill was introduced by House Oversight and Investigations Subcommittee Chairman John Dingell (D-Mich.) following more than a year of Congressional hearings and investigations into prescription drug counterfeiting and diversion.

The measure, which has already passed the House, seeks to regulate drug diversion by a variety of provisions, including:

- New Federal restrictions on pharmaceutical industry "sampling"—a key source of diverted drugs, according to experts who testified before Dingell's subcommittee;
- Nationwide licensing standards and record-keeping requirements for drug wholesalers;
- An outright ban on reimportation of U.S.-made pharmaceuticals—another source that is frequently tapped by drug diverters; and
- Prohibitions against the resale of drugs purchased by hospitals, as well as against the sale of prescription samples.

Although the Senate had not yet voted on companion legislation at press time, a report issued by Finance Committee Chairman Lloyd Bentsen (D-Texas) urges prompt enactment of the measure. Among other things, that report concludes that:

- "A significant volume of pharmaceuticals is being reimported to the United States as American Goods Returned. These goods present a health and safety risk to American consumers because they may have become subpotent or adulterated during foreign handling and shipping;"
- "The distribution of drug samples to patients by practitioners . . . is a useful and valuable medical tool," but legislation is needed "to retain the positive benefits of samples while providing for improved storage and handling, greater accountability, and strong penalties for unauthorized distribution;" and
- "The resale of prescription drugs by health care entities to persons outside the corporate umbrella of the institution—such as a wholesaler—helps fuel the diversion market . . ."

The legislation drawing the most widespread support from within the drug store industry is Rep. Ron Wyden's (D-Ore.) proposal to restrict physician dispensing.

Pharmacy concern over competition from dispensing physicians has been on the rise in recent years as a result of a sharp upsurge in the number of physicians selling prescription drugs directly to patients.

In addition to short-circuiting the traditional "checks and balances" of the physician-pharmacist relationship, physician dispensing also constitutes an inherent conflict of interest for doctors, pharmacy groups maintain.

Additionally, organizations such as APhA, NARD, and NACDS maintain that physicians who dispense drugs for profit charge patients far more than they would pay at retail pharmacies.

Concern over physician drug dispensing isn't limited to pharmacy groups, however. Recently a number of national consumer organizations, including the Consumer Federation of America and the National Consumers League, joined with APhA, NACDS, NARD, and the National Pharmaceutical Association to form a new anti-physician dispensing group called the Coalition for Consumer Prescription Protections.

According to the coalition, the objective of physician dispensing is to enrich doctors, not save consumers money.

Noting that drug repackagers "advertise to physicians that they can increase their annual incomes by $30,000 to $60,000 a year," the group is warning consumers about "the potential for overcharging" by dispensing physicians.

"Recent data on 50 prescription drugs sold. . . reveals that repackagers' suggested retail prices for the drug sold in doctors' offices are an average of 13.2 percent higher than the average retail prices for the same drugs sold in pharmacies," the coalition maintained.

New Prescriptions by selected categories, U.S. retail market, February 1988 vs. February 1987
(Amounts in thousands)

Category	Feb. '88	Feb. '87	% change
Amoxicillin	4,249	3,540	20.0
Antihistimines	759	697	8.9
Broad Spectrum Penicillins	5,162	4,440	16.3
Bronchodilators	1,637	1,468	11.5
Cephalosporin	2,514	2,029	23.9
Cough/Cold	5,398	4,778	13.0
Erythromycins	3,244	2,952	9.9
Pen V + VK	1,965	1,655	18.7
Penicillin	2,113	1,770	19.4
Trimethoprim	1,423	1,321	7.7

Source: Pharmaceutical Data Services Inc.

How provisions of catastrophic coverage bills compare

WASHINGTON — Here's how the drug provisions of the pending Medicare catastrophic coverage bills stack up:

Effective Date:
House: Jan. 1, 1989;
Senate: Jan. 1, 1990.

Drugs Covered:
House:All prescription drugs plus insulin and immunosuppressive therapy within one year of the transplant.
Senate:Phased-in drug coverage:

1990: IV antibiotics, chemotherapeutic agents, Immunosuppressive therapy.

1991 and 1992: Same as above, plus cardiovasculars and diuretics.

1993:All prescription drugs.

Deductible:
House: 1989, $500, and indexed thereafter.
Senate: 1990, $600, and indexed thereafter.

Co-payment:
House: 20 percent after the deductible has been met.
Senate: same.

Administrative fee:
House: $4.50 in 1989, and indexed thereafter.
Senate: $4.50 for participating and $3.50 for non-participating pharmacies in 1990, and indexed thereafter.

Non-multisource drugs and restrictive prescriptions:
House: AWP, determined every 6 months.
Senate: AWP, determined every 12 months.

Multisource drugs:
House: 50 percent of AWP of referenced product indexed every 6 months, (FDA's Orange Book).
Senate: 150 percent of lowest AWP indexed or AWP increase, whichever is lowest (FDA's Orange Book).

Prevention of abuse:
House: No payment for prescribed or dispensed drugs in excessive quantities; Drug Utilization Review.
Senate: Same, plus SEC establishes drug standards for prescribing, dispensing and utilization.

Restrictive prescriptions:
House: Physician hand writes appropriate phrase (e.g. brand medically necessary).
Senate: Same, plus telephone orders are handled.

Participating pharmacy agrees:
House: Not to refuse to dispense covered stocked drug; not to charge Medicare more than general public; keep patient records (including expenses incurred by patient for covered drugs dispensed); assist customer to see if deductible is met; provide copy of records upon same request of patient; counsel or offer to provide information on appropriate use of drug to be dispensed and any drug interactions; submit all payment requests electronically beginning Jan. 1, 1992 (there is an undue hardship exception); and be subjected to periodic audits.
Senate: Same as the House bill, except that all payment requests will be submitted electronically beginning Jan. 1, 1991.

Dispensing limitations:
House: Maximum of 60 days supply.
Senate: Maximum of 90 days supply for chronic maintenance drugs, 60 days for all others.

Studies by Dept. of Health and Human Services:
House: Numerous. Examples include comparison of AC and AWP; overhead costs of pharmacies; alternative payment methodologies; potential for induces demand resulting form Medicare drug coverage.
Senate: Same.

Funding:
House: Monthly premium, indexed with a cap; plus a supplemental premium based on income.
Senate: Same (budget neutral).

Self-medication trend accelerates OTC sales

A marked increase in consumer health interest is playing a greater role in the OTC market. As consumers hungrily seek out more information about health issues and become more sophisticated consumers, journal studies impacting on health are quickly finding their way to consumer publications.

This trend, a combination of skyrocketing health care costs, and a decreasing willingness by third party insurers to pick up equal share of their members' health care tabs, is creating a market in which consumers self-medicate more often.

Market experts see no signs that these trends are abating. If anything, they're expected to accelerate. For retailers, the trends translate into more OTC sales.

Journal studies played a part

Journal studies reported in consumer publications, and fueled by manufacturer advertisements, impacted the sale of products in at least two OTC categories in 1987.

Fish oil supplements gained popularity as a result of a study indicating the supplements could reduce cholesterol levels. That popularity subsided when subsequent studies questioned its benefits, and raised the possibility of risks associated with taking too much of the supplement.

Then came studies indicating that a daily regimen of aspirin could reduce the risk of second heart attack, and later, that aspirin was effective in preventing first heart attacks. These reports fueled the demand for aspirin.

OTC cough/cold products continued to hold the top position among the top 100 OTC categories, according to a 1987 *Drug Store News* study of those markets. That cough/ cold products sell well year-round is not surprising. The average consumer gets one to three colds per year. At any given time one out of every seven consumers will be congested.

Those statistics support *Drug Store News'* finding that more than a quarter of the items on the top 100 OTC list were cough/cold preparations. J. Richard Wuest, professor of clinical pharmacy at the University of Cincinnati estimates that 60 percent of the OTC dollar spent in retail pharmacies is spent on cough/ cold products.

Strong year-round sales are due to more than summer colds. Cough/cold and allergy products have high crossover use. Consumers are using products designed to treat allergies to relieve the stuffiness and runny nose symptoms common to colds and flus. Cough/cold products are also being used to treat allergies.

Rx to OTC switches, generally successful in any OTC category, account for a large portion of successful cough /cold products. FDA Commissioner Frank Young holds that almost all successful OTC products in the last 10 years were Rx to OTC switches.

Consumers view OTC products that once had prescription-only status as more potent than other products. The products command fierce brand loyalty. And as more patients opt to self-medicate rather than incur expensive visits to physicians for cold, flu and allergy symptoms, the sale of these formerly prescription-only drugs can only grow.

1987 proprietaries department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of dept. sales
Analgesics	$565,987	16.9%	11.59%
Vitamins/nutritionals	483,569	7.7	9.91
Cough/cold (Tabs/caps/1 oz.)	482,370	15.6	9.88
Cough/cold (liquids)	314,608	12.7	6.44
Laxatives	281,457	2.9	5.77
First aid products	263,391	5.1	5.40
Antacids	262,967	4.6	5.39
Eye care/lens care	245,919	17.3	5.04
Feminine hygiene	240,915	7.3	4.94
Family planning	230,194	14.8	4.72
Diet aids	115,800	5.6	2.37
Antidiarrheal/anti-nausea	77,328	3.7	1.58
Acne preparations	73,720	2.1	1.51
Sleeping aids	31,652	1.5	0.65
Wets & dries	29,595	0.6	0.61
Asthma inhalers/tabs/liquids	15,109	1.0	0.31
Dental care	489,339	9.2	10.02
Baby needs	384,464	4.4	7.88
Footcare products	178,830	3.7	3.66
Home health care	74,799	7.7	1.53
Miscellaneous	39,639	5.4	0.81
Total	$4,881,650		100

Source: *Drug Store News* survey

1987 OTC/proprietaries department highlights at chain drug stores

Chain drug OTC/proprietaries sales	$4,881,650,000
1987 percentage increase	9.2%
Percentage of total chain drug sales	14.91%
Typical gross margins	30%-35%
Industry profit yield from OTC/ proprietaries last year	$1,465,000,000 to $1,710,000,000
Average annual department turns	5.0

Source: *Drug Store News* survey

Cough/cold products took highest honors among the top 100 OTC categories, according to a recent *Drug Store News* study. The average consumer gets one to three colds per year.

Diagnostic kit sales expected to grow by 30%

Chain buyers and industry forecasters alike see sales of at-home diagnostic kits increasing in 1988.

The buyers expect sales of the kits to grow by more than 30 percent, according to a *Drug Store News* survey. And Arthur D. Little, a Massachusetts consulting and research firm, projects that the kits will reach $610 million in sales by 1990.

Pregnancy and ovulation tests have driven the market for the category and continue to sell well. But it is the diabetic products, from the expensive monitors that measure blood glucose to the formulated strips for blood smears designed for use with the monitors, that are the hot and repeat purchase items for retailers.

Retailers know that patients often need help in choosing the right equipment. Most diagnostic kits are located close to the pharmacist to allow pharmacist consultation and recommendations.

Industry forecasters see more at-home diagnostic kits in the future. FDA Commissioner Frank Young believes that self-test kits will appear on the market for strep throat and urinary tract infections. Kits utilizing monoclonal antibody technology, he feels, will make the tests reliable.

Although the tests will not replace more sophisticated hospital tests, some industry watchers feel that they will find a niche as initial screens.

Frank Samuel, president of the Health Industry Manufacturers Association, feels that the consumer movement coupled with improvements in education has created an information revolution, ripening the market for more diagnostic tests.

For the millions of people who routinely take medicine for hypertension, seizure disorders, asthma, mood disorders, and other conditions, Samuel sees more advanced home diagnostic kits on the horizon which can monitor levels of medication under the supervision of a physician.

ACU-TEST
in-home pregnancy test
abdec teens with iron
BEST BUY

At-home diagnostic testing kits continue to grow in popularity as technology advances and prices continue to drop.

BEST AVAILABLE COPY

Aspirin study builds excitement in analgesics

While the popularity of analgesics in general remained stable in 1987, it was aspirin's turn to drive the category this year.

Journal studies which showed that aspirin use prevented a second heart attack, or unstable angina, created new excitement in the category early in the year. A later study indicating that an aspirin every other day could significantly reduce the risk of heart attack in people with no previous heart disease, added fuel to the fire.

Advertising claims

Manufacturers were quick to jump on the new claims—too quick as far as the FDA was concerned. Although he has allowed aspirin labeling that relates to the reduced risk of second heart attack and unstable angina claim, Commissioner Frank Young wrote to manufacturers, recently to request that they drop advertising claims pertaining to the results of the more recent studies.

Rep. Henry Waxman, chairman of the Health Subcommittee, fired charges at manufacturers promoting the claims, calling such ads a "disservice to consumers and a public health hazard," since they "fail to fully and fairly inform the public who should not take aspirin."

OTC analgesics sales received a boost on reports that aspirin could reduce the risk of a second heart attack and may be effective in preventing a first heart attack as well.

The furor has not affected the sale of aspirin. At least one product is being marketed in a calendar pack to make daily aspirin taking easier. Two other manufacturers have introduced low-dose aspirin for patients whose physicians recommend less of the medication.

The fuss being made about aspirin did not drown out the sale of non-aspirin products. Fueled by introduction of products in caplet form, ibuprofens continued to perform well. The sale of ibuprofen-based products grew 54 percent in 1987, according to a study by Pipeline Research, a marketing research company.

Acetaminophens held their place in the category. Sales of grape and fruit-flavored chewable products for children were popular products in the category.

Overall, the analgesic category remained strong and stable, accounting for 23 percent of the places on *Drug Store News's* top 100 OTC products in 1987.

Lens products hot

Greater consumer awareness and concern played a part in increasing sales of lens products this year. Reacting to publicity about corneal ulcers and infections due to improper lens use and maintenance, consumers increased their compliance to recommended eye care regimens.

For consumers, better compliance meant removing lenses more often and cleaning lenses more frequently. For retailers, better compliance meant higher sales.

Innovation in lens care

Innovation in lens care also contributed to the growth of the category. Systems that use hydrogen peroxide gained greater market share.

A Barnes-Hind 12-month study showed that the number of doctors recommending the systems increased by 70 percent last year. Doctors are also recommending procedures that either combine or speed up the lens cleansing process.

Price reductions also figured in building sales of lens care products. Manufacturers slashed prices on saline solutions, and buyers felt that the price cuts reflected consumers' unwillingness to pay high prices for lens care products.

Fear of AIDS drives sales of condoms up 27%

Condoms did so well that only problem was keeping them in stock

No longer relegated to the back of the counter, condoms are being displayed prominently in the pharmacy, often in a secondary location in the feminine hygiene sections as well as near the pharmacy counter. In fact, the only problem retailers seem to be having with condoms is keeping them in stock.

Safeguard against AIDS

Endorsed as the one safeguard against contracting the deadly AIDS virus and other sexually-transmitted diseases, condoms were the fastest moving category in the family planning section. Sales for the first eight months of 1987 were up 32 percent in dollars and 27 percent in units over previous year levels, Pipeline Research reported.

The category did so well this year that many retailers had problems keeping them in stock. Demand for the product was so great that manufacturing and distribution capacity could not keep up in some instances. The problem worsened when products were recalled by the FDA for failure rates. Problems have since been corrected, but manufacturers and retailers were affected by the struggle to meet demand.

Appeal to women

Fear of the AIDS epidemic reaching the heterosexual population will continue to drive the category in 1988. Manufacturers are increasingly marketing condoms to women, who account for one in every four sales of the product. New products are currently being introduced in upscale, "designer" packages that emphasize a romantic and more feminine image.

Raley's FAMILY PLANNING
PRICE, C ARE & SAVE AT RALEY'S
Fear of the AIDS epidemic reaching the heterosexual population has catapulted a once-flat condom category to the fastest-moving category in the family planning section of drug stores.

Consumers paid a lot of attention to journal studies when purchasing vitamins and nutritional supplements in 1987. Fish oil supplements enjoyed a few moments in the sun after studies indicated they could reduce cholesterol levels. After later studies refuted the claims, sales of the supplement leveled off.

Vitamins in general held few surprises in 1987. Vitamin C and E performed well. Calcium supplements, hailed as a preventive measure against osteoporosis, continued to sell well last year. Fiber supplements, shown in studies to reduce the risk of cancer and irritable bowel syndrome, also had increased sales.

Nutritional supplements were cited by 24 percent of retail merchants as one of the hottest categories in 1987, according to a *Drug Store News* survey. The retailers surveyed expected nutritional supplements sales to increase by 14.9 percent in 1988.

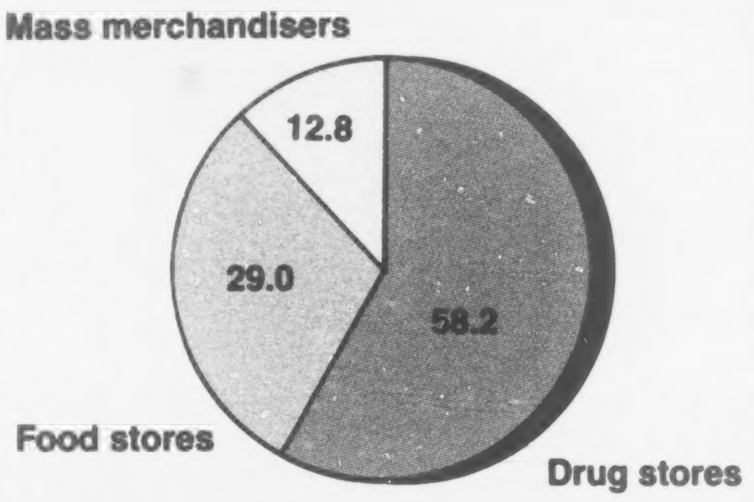
Vitamins are being positioned near the pharmacy checkout area to take advantage of proximity to the pharmacist to answer consumer questions. As more studies are conducted to judge the effectiveness of nutritional supplements and vitamins and the results find their way to consumer publications, customers will undoubtedly ask more questions.

Key demographic traits determine which customers buy which OTCs

ACTIFED
CONTAC
Dimetapp

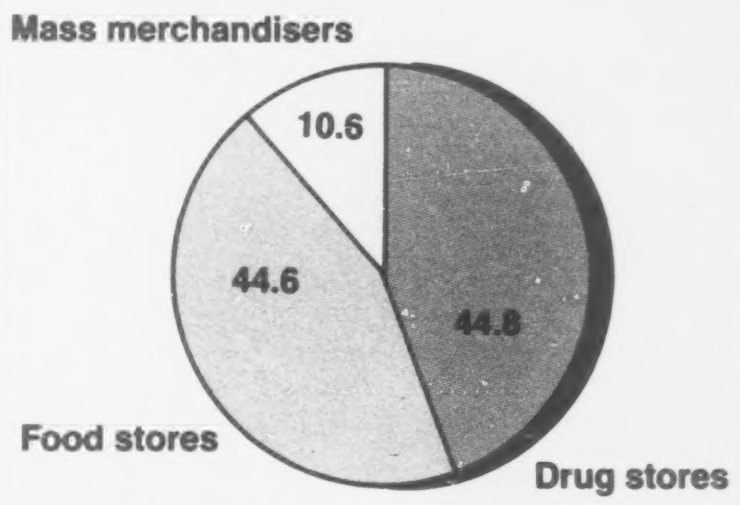
A Longs shelf display of a variety of over-the-counter products.

Market share for vitamins by channel of distribution



Source: Nielsen Marketing Research, 1987 figures.

Market share for cold remedies by channel of distribution

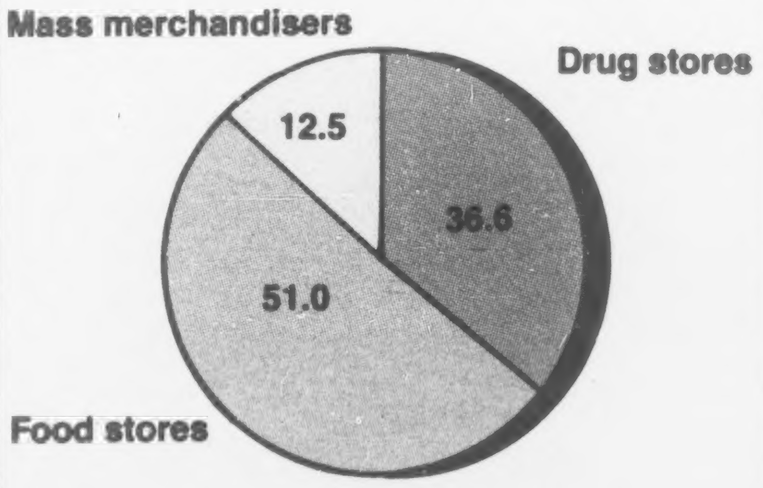


Source: Nielsen Marketing Research, 1987 figures.

Pepto Bismol $3.49

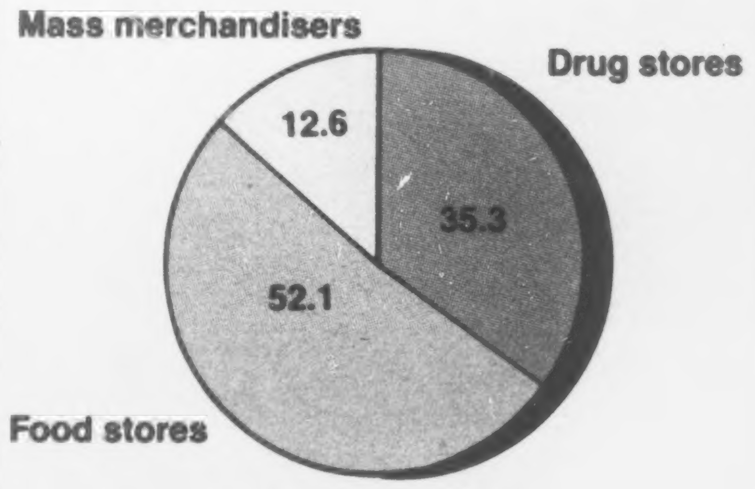
A customer peruses of shelf of OTC stomach remedies at a Drug Emporium.

Market share for sinus medications by channel of distribution



Source: Nielsen Marketing Research, 1987 figures.

Market share for analgesics by channel of distribution



Source: Nielsen Marketing Research, 1987 figures.

By Joseph Swartz

Attracting customers to shop at a particular drug store for OTC medications is an art form that utilizes such strategies as picking the right location, scouting out competition, and creative advertising campaigns.

Determining the likelihood that a customer will buy a specific OTC product once inside the store requires a closer look at some key demographics, like age and income.

Age before affluence

Most OTC categories have strong correlations between age and the likelihood of use, but the correlation between income and use is not always as clear.

As the average consumer ages, the need for medication will increase. In many cases, the less affluent will concentrate their earnings on drugs and food as they get older. With the direction to self-medication, much of the drug purchases will be in OTC products.

On the other hand, affluence can play a predictable role in some OTC expenditures. Two good examples are in the purchase of soft contact lens products and stomach antacid remedies. Only the more affluent customers are more likely to wear contact lenses, while marketing studies have shown that successful business people are the prime purchasers of antacid and antiulcer OTC products.

Perhaps the best correlation of OTC product use to the age of the purchaser is in the category of at-home pregnancy testing kits. While only 4 percent of the adult female population use these products, 70 percent are purchased by women under age 35.

Within that age group, women aged 18 to 24, the group most likely to become pregnant, are 52 percent more likely to use these products.

If you chart the likelihood of purchasing at-home pregnancy tests by income, the picture is not as clear. Customers with annual household incomes under $25,000 are more likely to buy at-home pregnancy test kits, while those with incomes ranging from $25,000 to $39,999 are less likely. Consumers with incomes ranging from $40,000 to $49,999 are again more likely to be heavy users, but those earning $50,000 are less likely.

Although no one demographic segment emerges as the most likely customer for all OTC drug products, each category has its own demographic picture. That's why retailer product selection for individual stores should be determined based on a product's most likely customer profile and the demographics of the trading area.

Age an important factor

Categories of products carried by the retailer should also relate to the ages of customers in a particular trading area. But sometimes pure marketing figures don't tell the whole story.

A good example is with OTC indigestion remedies. Latest statistics show that these products are used by 50 percent of the adult population at least once in six months. Yet a recent study conducted by Mediamark Research (MRI) finds that the likelihood of being a heavy user of indigestion and upset stomach aids decreases with income level, but increases with age.

MRI defines a heavy user of indigestion aids as someone who uses a product eight or more times in a 30-day period. Heavy users of indigestion aids and stomach remedies make up 26 percent of all customers in this OTC category, but they consume 78 percent of stomach and indigestion aid products.

Use of OTC indigestion remedies also varies with income. Consumers with annual household incomes below $35,000 are more likely to be heavy users of OTC indigestion products and stomach remedies. More specifically, people whose incomes are $25,000 to $34,999 are five percent more likely to be heavy users; those in the $15,000 to $24,999 range are 10 percent more likely to be average users; and those earning under $15,000 are 25 percent more likely to be heavy users. Conversely, those individuals with household incomes of $35,000 and above are less likely to be heavy users.

If you look at OTC stomach and indigestion products by age, all age groups under 45 are less likely than average to be heavy users. Age groups 45 and over are at least 20 percent more likely to be heavy users, and people who are 65 and over are 65 percent more than average to heavily use products that treat their indigestion and stomach aches.

Vitamin usage among American adults continues to

Continued on page IP48

Joseph Swartz is an associate editor at American Demographics.

Demographics identify customers of OTC drugs

Continued from page IP46

remain strong, making that category a major player among other OTC product categories.

In fact, 41 percent of American adults will use vitamins at least once in a six-month period. "Heavy" users of vitamin tablets, capsules, or liquids use these products at least 21 times per month, according to the MRI. Heavy users consume 44 percent of all vitamin products, but comprise only 13 percent of all vitamin consumers.

So who are consuming vitamins? Demographically, they are at least 45 years old and have an annual household income of at least $35,000. The MRI finds that the use of vitamin products increases with age and income.

Those with household incomes below $35,000 are less likely to heavily use vitamins.

The breakpoint for vitamin use comes at the age of 45. Those under 45 are less likely to be heavy users, while those older are more likely to be heavy users. The likelihood of heavy vitamin use increases from 18 to 24 year olds, who are 43 percent less likely to heavily consume vitamins, to consumers age 65 and over, who are 52 percent more likely to be heavy vitamin users.

Those with household incomes below $35,000 are less likely to heavily use vitamins, while consumers whose household incomes are above that figure are more likely to be heavy vitamin users.

Where the growth is

Once the customer has been pinpointed, it is important to retailers to zero in on those age groups that are increasing in number while others are decreasing. Approximately 75 percent of today's Americans, born between the years 1946 and 1964, comprise the largest generation in the United States, known affectionately as "baby boomers." As this generation ages, it will cause a "bulge" in the age groups it passes through. The number of births dropped each year after 1964, bottomed out in 1976, but has been increasing ever since.

According to the Census Bureau, between now and the year 2000 the number of 18 to 24 year olds will decrease by 2.2 million people, or eight percent, while 25 to 34 year olds will decrease by 7 million people or 16 percent. The 35 to 44 age group will increase by 8.4 million, or 24 percent, and the 45 to 54 age group will grow by 13 million, or 55 percent. Ranks of 55 to 64 year olds will increase by 2.2 million or 10 percent; and people age 65 and over will increase their numbers by 4.4. million, or 15 percent.

A more effective job of selling OTC products can be achieved by knowing who the customer is. This can be accomplished with in-store surveys, or overall demographic data for the store done by private data companies. Once that data is compiled, marketing companies can determine which products have the best likelihood of selling to particular retail audiences.

In today's drug store, it's not enough to know the competition's strategy in selling OTC products; it's imperative to determine the demographics of a particular marketing audience and create individual strategies to meet the demands of that marketplace.

Likelihood of being a heavy user of selected OTC products, by age and household income.

	Age	Heavy user index	Income	Heavy user index
Headache remedies and pain relievers	18-24	77	Less than $15,000	107
	25-34	83	$15,000-$24,999	104
	35-44	103	$25,000-$34,999	101
	45-54	109	$35,000-$39,999	94
	55-64	117	$40,000-$49,999	102
	65+	124	More than $50,000	91
Cold, sinus, allergy	18-24	84	Less than $15,000	88
	25-34	97	$15,000-$24,999	103
	35-44	113	$25,000-$34,999	108
	45-54	116	$35,000-$39,999	100
	55-64	106	$40,000-$49,999	115
	65+	88	More than $50,000	91
Stomach remedies	18-24	51	Less than $15,000	125
	25-34	66	$15,000-$24,999	110
	35-44	79	$25,000-$34,999	105
	45-54	120	$35,000-$39,999	84
	55-64	153	$40,000-$49,999	91
	65+	165	More than $50,000	77
Vitamins	18-24	57	Less than $15,000	72
	25-34	61	$15,000-$24,999	87
	35-44	93	$25,000-$34,999	78
	45-54	147	$35,000-$39,999	103
	55-64	123	$40,000-$49,999	108
	65+	152	More than $50,000	151
In-home pregnancy tests	18-24	152	Less than $15,000	114
	25-34	232	$15,000-$24,999	127
	35-44	69	$25,000-$34,999	94
	45-54	28	$35,000-$39,999	89
	55-64	15	$40,000-$49,999	101
	65+	32	More than $50,000	65
Cough syrups (OTC)	18-24	89	Less than $15,000	131
	25-34	104	$15,000-$24,999	114
	35-44	81	$25,000-$34,999	93
	45-54	111	$35,000-$39,999	95
	55-64	103	$40,000-$49,999	100
	65+	115	More than $50,000	67
Medicated throat remedies	18-24	117	Less than $15,000	121
	25-34	86	$15,000-$24,999	98
	35-44	77	$25,000-$34,999	111
	45-54	95	$35,000-$39,999	83
	55-64	114	$40,000-$49,999	83
	65+	122	More than $50,000	91
Blood pressure monitors*	18-24	57	Less than $15,000	63
	25-34	52	$15,000-$24,999	101
	35-44	108	$25,000-$34,999	112
	45-54	163	$35,000-$39,999	109
	55-64	182	$40,000-$49,999	129
	65+	86	More than $50,000	99
Soft contacts*	18-24	173	Less than $15,000	50
	25-34	161	$15,000-$24,999	98
	35-44	87	$25,000-$34,999	99
	45-54	66	$35,000-$39,999	81
	55-64	30	$40,000-$49,999	129
	65+	35	More than $50,000	138

*User only; all others refer to "heavy users."

Source: Mediamark Research, Spring 1987 study.

OTC firms back off from aspirin–heart attack claims

WASHINGTON — As part of an agreement with Federal regulators, the nation's over-the-counter drug manufacturers have temporarily shelved ads claiming that aspirin may reduce the risk of heart attacks.

At a meeting with top officials from both the Food and Drug Administration and the Federal Trade Commission, industry leaders agreed to discontinue newspaper and television advertising which promotes aspirin use to prevent primary heart attacks. Meanwhile, FDA Commissioner Frank Young said the agency is analyzing "full data and information" from the recent study which triggered the advertising blitz "so that appropriate professional labeling can be established. . . ."

Following publication of a study in the *New England Journal of Medicine* suggesting that regular use of aspirin plays a role in preventing primary heart attacks, several major aspirin manufacturers bombarded the market with ads promoting regular aspirin usage to decrease the risk of heart attacks. The promotions drew fire from FDA and the FTC's Bureau of Consumer Protection.

FDA continues to discourage claims that aspirin can aid a cardiac condition.

FDA officials contend that while the study "appears to be well-designed and well-conducted," a full evaluation and report is required "to take into account both the potential risks and the potential benefits associated with such aspirin use. . . ."

In the meeting with industry officials, Commissioner Young expressed specific concern that the ads would increase use of aspirin in individuals at risk from strokes, liver or renal disease, gout, peptic ulcer and other conditions which can be complicated as a result of aspirin use. He noted that for the purposes of the study, researchers used only healthy doctors with no aspirin intolerance, peptic ulcers or cardiovascular problems.

Under the agreement reached between aspirin industry, FDA and the FTC, manufacturers have stopped claiming that aspirin can prevent *first* heart attacks, but will continue to promote the drug as useful in the prevention of *second* heart attacks.

Nevertheless, FDA continues to discourage claims to consumers that aspirin can aid a cardiac condition, contending that an individual with heart disease should have a doctor's care and advice. (The agency has, however, approved the promotion of aspirin to physicians as a potential aid in curbing second heart attacks.)

According to Young, when the final FDA report on the latest study is available, doctors will have clear guidelines to use in determining which of their patients will benefit from an aspirin every other day and which might be hurt. The Commissioner said the agency is "expediting" analysis of the new aspirin study to provide prompt "physician's labeling" on aspirin regarding its use in preventing first heart attacks.

Pharmacies rethink home health strategies

Chain and independent pharmacies looking to carve a niche for themselves in an overcrowded drug store marketplace are rethinking their front-end business and becoming providers of home health care supplies, equipment, and services.

Some industry observers believe home health care could put a little zing back into slumping register sales, as traditional front-end drug store business continues to erode because of competition from such non-traditional drug outlets as supermarkets, combos, and deep discounters.

It is estimated that home health care, fueled by an aging population, could become a $12 billion to $14 billion business by the end of the decade.

By the year 2000, the number of Americans aged 85 or older will grow 83 percent, putting that age group at about 4.9 million people. And because a large percentage of those octogenarians-plus can take care of themselves, sales of home health care supplies cannot help but grow.

A survey conducted by National Health Interview's *Supplement on Aging* reported that over half of all individuals 85 years and older have no difficulty walking, going outside, getting into or out of bed, bathing, dressing, using the toilet, preparing meals, using the telephone, shopping, doing light housework, or managing money.

As would be expected, a report from the Bureau of Labor Statistics clearly shows that health spending in this country is proportional to aging.

On the average, American households spent $157 on medicines and medical supplies in 1984, but according to the study, those households headed by an adult aged 65 to 74 spent an average of $211 on medicines and medical supplies. Medical spending rose to $292 for households headed by an adult aged 75 or older.

Although home health care may appear on the surface as the retail pharmacist's salvation, chain and independent drug stores have approached the business with extreme caution.

According to one vendor of home health care supplies and equipment, most retailers are still testing the waters with limited inventories and limited marketing. He said that's an area in which suppliers should be more helpful.

Sales of incontinence products are expected to double by 1990.

"Part of our goal is to educate pharmacists. We can help them achieve their goals."

But many drug retailers are still concerned about high costs of inventory, greater space requirements for durable medical equipment like wheelchairs and walkers, complicated third-party billing procedures, and a heavy emphasis on patient counseling.

While some chains, including Hook-SuperRx, Peoples, and Thrift, have become major players in the home health care field, smaller independents look to their drug wholesalers for guidance.

That cry for help from the independents prompted McKesson to develop a new home health care division. According to John Robinson, president of the new division, McKesson has teamed up with such notable home health care companies as Everest & Jennings, Johnson & Johnson, DeVilbiss, and Mountain Medical.

RESCRIPTIONS

Pharmacies have been cautious in their approach to the home health care market due to concern over space requirements.

The number of Americans over age 85 will grow 83 percent by the year 2000; with this comes an increasing demand for medical supplies and equipment.

It is McKesson's mission to deliver the same kind of wholesaler-to-pharmacists relationship through its home health care division that the pharmacists are currently receiving through the San Franciso-based wholesaler's drug division.

"We're telling home health care dealers that we have the ability to look at their whole business, unlike an individual supplier," said Robinson.

Unique opportunities

Opportunities in home health care lie not only with traditional items like heating pads and wheelchairs, but also more sophisticated items like intravenous feeding devices and home oxygen. Because patients are leaving hospitals quicker and sicker, the home health care market has grown to include at-home treatments of medical conditions once thought treatable only in a hospital.

One promising area for retailers is in the treatment of dialysis patients. Thanks to a process known as Continuous Ambulatory Peritoneal Dialysis (CAPD), developed by Baxter Travenol, patients are able to treat themselves at home with equipment purchased at a local clinic. Sales of CAPD equipment have increased approximately 40 percent a year and now stand at over $100 million annually.

In another area of at-home treatment, cancer patients can now be treated with a variety of intravenous treatments from chemotherapeutic agents to nutritional supplements. But according to some home health care providers, one of the most promising areas is in antibiotic infusion currently being fueled by product from Baxter Travenol, Abbott, and American Continue-Care.

We've made it easier than ever to get Medical Equipment at home...
Pathmark
Home Health Care Center
Visit the Home Health Care

Pharmacies respond to the need for at-home medical treatments.

A continuing source of income for pharmacists will be in the area of incontinence products and the diabetic market.

Diabetes remains one of the most common self-treated disorders. It is estimated that 25 of every 1,000 people are known diabetics, and approximately another 25 have the disease without knowing it. Direct medical costs of treating diabetes are approximately four percent of all health spending. Retailers who cater to the diabetic usually create a loyal following.

Pharmacists are also key outlets for the sale of products to help incontinents, a problem that affects approximately 2.2 million individuals over 65. Sales of incontinence products is expected to double by 1990 to $495 million.

Drug stocks are outperforming the DJIA so far in 1988

NEW YORK — Drug chain stocks, led by Big B, Perry, and American Stores, have significantly outperformed the Dow Jones Industrial Average so far in 1988.

Drug wholesaler stocks have similarly come on strong, led by growth from Cardinal Distribution and Bindley Western Industries, the *Drug Store News* stock indexes show.

Retail stocks on March 31 were 24 percent above their Jan. 1 values. They dropped by April 4—up only 16 percent—because Begley Co.'s stock price was omitted, since it stopped public trading after Rite Aid's tender offer.

With Begley's price factored out in January, the remaining retail stocks posted 22 percent growth through April 7. That compared with a 6 percent growth of the DJIA in that period.

Wholesalers gained 22 percent from Jan. 1 to April 7.

Perry Drugs, priced at $5.50 at the first of the year, doubled to close at $11 April 7, leading the chains in growth. Big B—at $15 April 7—was up 32 percent. Medicine Shoppe was up 30 percent.

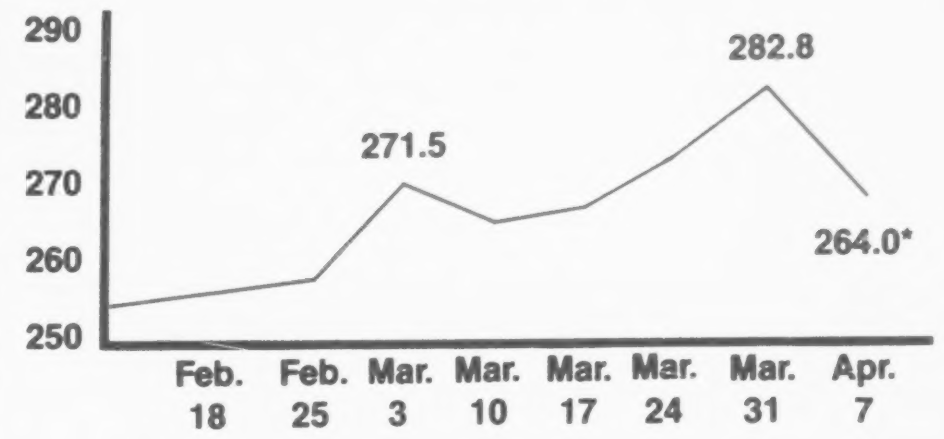
Other strong growth chains from Jan. 1 to April 7 were American Stores and Walgreens, both up 24 percent; Longs, up 20 percent; Genovese, up 16 percent; and Rite Aid, up 11 percent.

Bindley Western led wholesaler growth with a 50 percent gain, followed by Cardinal Distribution, which was up 44 percent.

Other leaders were Durr Fillauer, also up 44 percent; Owens & Minor, up 34 percent; Bergen Brunswig, up 27 percent; and McKesson, up 23 percent.

Drug Store News Drug Chain Stock Index

Total stock values of 13 public companies
2/18/88-4/7/88

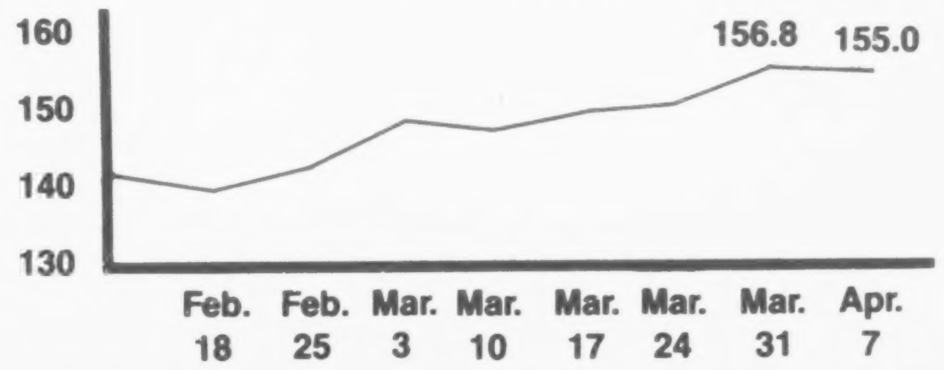


The *Drug Store News* Drug Chain Stock Index is the total of the stock prices of these 13 companies: American Stores, Arbor, Begley, Big B, Fay's, Genovese, Longs, Medicare-Glaser, Medicine Shoppe, Pay 'n Save, Perry, Rite Aid, and Walgreen.

*The April 7 plot point omits Begley Co., which stopped trading on the open market, and therefore drops from the index, after Rite Aid's successful buyout. Begley's price on March 31 was 27⅝.

Drug Store News Drug Wholesaler Stock Index

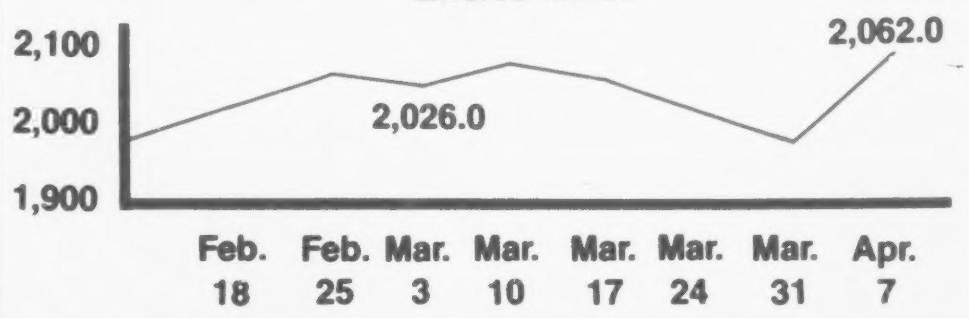
Total stock values of nine public companies
2/18/88-4/7/88



The *Drug Store News* Wholesaler Stock Index is the total of the stock prices of these nine wholesale companies: Alco Health Services, Bergen Brunswig, Bindley Western Industries, Cardinal Distribution, Durr Fillauer, Ketchum, McKesson, Moore Medical, and Owens & Minor.

Dow Jones Industrial Average

2/18/88-4/7/88



		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 03/25/88 - 04/11/88								Latest 12 Months vs Preceding 12 Months Change			Indicated Dvd. Rate	
					Change		52-Week							
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last Fiscal Year	Amt.	Pct.	Latest P/E Ratio	Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	66.50	54.50	66.13	9.50	16.78	86.25	41.50	4.19	.40 f	10.6	15.8	.84	1.3
Arbor Drugs	ARBR	11.75	11.50	11.75	.25	2.17	19.25	7.50	.81	.01 s	1.1	12.9	.00	.0
Begley Co	BGLY	29.00	27.50	27.63	-1.38	-4.74	30.00	8.00	.04	-1.97 n	-100.0	NE	.00	.0
Big B	BIGB	15.00	12.63	15.00	2.38	18.81	15.38	9.13	.94	.33 f	54.1	16.0	.12	.8
Dart Group	DARTA	75.00	72.00	75.00	-1.00	-1.32	170.00	59.00	19.24	-17.49 n	-100.0	NE	.13	.2
Fay's Drug	FAY	9.13	8.13	8.75	.63	7.69	9.50	5.25	.45	.16 f	55.2	19.4	.20	2.3
Genovese Drug	GDX	12.88	12.13	12.38	-.38	-2.94	16.13	7.25	.69	.35 f	102.9	17.9	.16	1.3
Longs Drg Strs	LDG	36.88	34.50	36.63	2.00	5.78	41.00	25.13	2.33	.55 f	30.9	15.7	.80	2.2
Medicare Glaser	MGCO	2.50	2.00	2.50	.25	11.11	5.25	2.00	.21	.08 n	200.0	20.8	.00	.0
Medicine Shoppe	MSII	26.50	24.25	24.75	-1.75	-6.60	26.88	16.50	.83	.17 q	23.9	28.1	.05	.2
Pay n Save	PAYN	5.63	3.25	5.50	2.13	62.96	8.13	3.13	-1.57	.90 q	NE	NE	.00	.0
Perry Drug	PDS	9.75	8.38	9.63	-.13	-1.28	13.38	5.25	-.78	-2.25 q	-100.0	NE	.00	.0
Rite Aid Corp	RAD	40.38	36.25	40.38	3.88	10.62	46.25	28.50	3.41	1.52 f	80.4	11.8	.74	1.8
Walgreen Co	WAG	37.38	30.63	35.38	4.63	15.04	44.88	24.75	1.68	.16 q	9.9	20.0	.60	1.7
Wholesaler's transactions														
Alco Hlth	AAHS	18.00	16.88	16.88	-.13	-.74	21.00	10.88	1.39	.29 q	24.2	11.3	.12	.7
Bergen Bruns	BBCA	26.88	25.13	25.50	-.13	-.49	27.50	14.38	1.19	.69 s	60.0	13.9	.32	1.3
Bindley Wstn	BIND	10.88	9.50	10.00	.50	5.26	13.50	5.63	.30	-.53 f	-63.9	33.3	.00	.0
Cardinal Distrb	CDIC	15.75	15.25	15.75	.00	.00	21.81	10.38	1.11	.15 n	14.9	13.6	.08	.5
Durr Fillauer	DUFM	12.63	12.25	12.38	.00	.00	12.75	7.25	.87	.05 f	6.1	14.2	.17	1.4
Ketchum	KCH	8.25	7.50	7.75	-.38	-4.62	25.38	6.50	-1.40	-4.55 n	NE	NE	.00	.0
McKesson Cp	MCK	33.50	31.25	33.00	.25	.76	38.88	23.25	1.95	-.21 n	-9.7	16.9	1.28	3.9
Moore Med	MMD	17.00	15.63	16.38	-.63	-3.68	30.75	11.50	1.46	-.07 f	-4.6	11.2	.00	.0
Owens Minor	OMI	18.38	16.75	18.25	1.13	6.57	22.00	11.75	1.42	.18 f	14.5	12.9	.36	2.0
Manufacturer's transactions														
Abbott Labs	ABT	51.25	46.00	50.13	3.75	8.09	66.38	40.00	2.78	.46 f	19.8	18.0	1.20	2.4
Am Home Prod	AHP	78.75	74.50	77.38	-.75	-.96	96.75	62.00	5.73	.55 f	10.6	13.5	3.60	4.7
Baxter Travenol	BAX	24.25	22.25	23.50	.75	3.30	37.50	15.50	1.10	.31 f	39.2	21.4	.50	2.1
Block Drugs Co	BLOCA	29.50	26.75	28.50	-.50	-1.72	32.53	20.41	1.97	.28 n	14.7	13.0	.56	2.0
Bolar Pharm	BLR	24.25	21.25	23.75	1.88	8.57	26.50	11.00	.91	.39 f	75.0	26.1	.03	.1
Bristol-Myers	BMY	43.63	39.88	42.75	.63	1.48	54.13	28.25	2.47	.40 f	19.3	17.3	1.68	3.9
Carter-Wallace	CAR	41.25	39.50	41.25	.00	.00	57.00	24.00	2.14	.37 n	17.8	16.8	.54	1.3
Forest Labs	FRX	18.63	16.88	18.50	.88	4.96	29.88	13.13	.77	.22 n	31.9	20.3	.00	.0
ICN Pharm	ICN	7.75	7.00	7.25	-.50	-6.45	15.13	5.63	-1.70	-2.22 f	-100.0	NE	.00	.0
Lilly Eli Co	LLY	85.88	80.75	82.88	-2.88	-3.35	107.75	57.75	4.41	.40 f	10.0	18.8	2.30	2.8
Lee Pharm	LPH	4.63	4.13	4.25	-.38	-8.11	9.25	2.75	-.48	-2.22 q	-100.0	NE	.00	.0
Leiner P Nutri	PLI	9.13	8.38	9.00	.50	5.88	20.50	6.13	1.01	-.05 n	-5.2	9.8	.00	.0
Marion Labs	MKC	22.00	18.38	20.88	-1.50	-6.70	41.50	18.38	.61	.34 s	75.6	26.4	.28	1.3
Merck & Co	MRK	166.75	155.25	165.38	3.88	2.40	223.00	144.00	6.68	1.83 f	37.7	24.8	3.84	2.3
Morton Thiokol	MTI	45.38	40.25	45.13	3.88	9.39	54.75	31.00	2.90	.42 s	15.2	14.1	.84	1.9
Mylan Labs	MYL	10.25	9.50	10.13	.13	1.25	16.50	7.63	.65	.07 n	11.7	15.1	.10	1.0
Newport Pharm	NWPH	4.25	4.00	4.00	-.13	-3.03	8.25	2.38	-.17	-.27 s	NE	NE	.00	.0
Par Pharm	PRX	18.50	17.50	18.38	.38	2.08	27.25	12.13	.97	.49 q	86.0	17.3	.00	.0
Pfizer Inc	PFE	57.75	54.38	57.25	1.25	2.23	76.50	40.00	4.08	.18 f	4.6	14.0	2.00	3.5
Robins, AH	QRAH	26.00	25.25	25.63	-.88	-3.30	29.63	12.25	-6.76	-10.14 f	-100.0	NE	.00	.0
Rorer Group	ROR	34.75	32.75	33.75	-.75	-2.17	40.34	19.84	1.68	-2.18 f	-56.5	20.1	.80	2.4
Scherer RP Cp	SCHC	17.88	15.25	17.88	3.38	23.28	20.50	11.25	.80	.90 n	1000.0	18.1	.36	2.0
Scher Plough	SGP	53.50	47.75	53.25	2.50	4.93	57.38	31.25	2.73	.56 f	25.8	19.5	1.20	2.3
Squibb Corp	SQB	65.75	61.00	64.75	-.25	-.38	102.88	55.25	3.42	.85 f	33.1	18.9	1.60	2.5
Syntex Corp	SYN	36.13	32.75	35.88	.88	2.50	48.75	20.00	2.07	.47 s	25.5	15.5	1.00	2.8
Thompson Med	TM	15.25	11.50	15.25	2.63	20.79	25.00	8.38	1.11	.40 q	44.4	11.7	.40	2.6
Upjohn Co	UPJ	30.50	28.50	30.00	-.50	-1.64	53.75	22.63	1.63	.28 f	20.7	18.4	.72	2.4
Warner-Lambrt	WLA	75.75	70.50	75.13	1.25	1.69	87.50	48.25	4.15	-.03 f	-.7	18.1	2.16	2.9
Zenith Labs	ZEN	2.88	2.38	2.63	-.13	-4.55	11.63	2.38	-.19	-.76 n	-100.0	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	32.25	28.00	31.75	3.38	11.89	34.00	20.25	1.88	.38 f	25.3	16.9	.56	1.8
K mart Cp	KM	36.88	32.63	36.75	3.13	9.29	48.38	21.63	3.40	.42 f	14.1	10.8	1.16	3.2
Melville Cp	MES	69.00	63.00	68.50	3.88	6.00	84.00	44.25	5.25	.85 f	19.3	13.0	2.10	3.1
Penney, JC	JCP	50.50	46.63	49.63	2.13	4.47	66.00	35.25	4.11	.58 f	16.4	12.1	2.00	4.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

Giant sales, earnings up in 4th quarter, year

LANDOVER, Md. — Giant Food Inc., which operates supermarkets and food/drug combination stores, posted substantial increases in sales and earnings for the fourth quarter and year ended Feb. 27.

For the fourth quarter, net income rose to $27.15 million, or 90 cents per share, on sales of $883.1 million. For the comparable quarter last year, net income was $14.98 million, or 50 cents per share, on sales of $861.2 million.

For the year, net income was $75.6 million, or $2.51 per share, on sales of $2.7 billion, compared with last year's net income of $46.5 million, or $1.55 per share, on sales of $2.5 billion.

Melville sales, earnings post gains

HARRISON, N.Y. — Melville Corp., owner of CVS and Freddy's deep discount drug stores, had increased sales and earnings for the fourth quarter and year ended Dec. 31.

For the fourth quarter, net income reached $161.9 million, compared with $133.7 million in the like period in 1986. Sales rose to $2.01 billion, from $1.73 billion.

For the year, net income increased to $285.4 million, from $238.3 million a year ago. Sales climbed to $5.9 billion, compared with $5.3 billion last year.

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At Breakers, focus is on people
— *In the Market, page 6*

Chains fig
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DRUG STORE NEWS®

Vol. 10/No. 10 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. May 9, 1988

Chain-ging of the guard

Jack Robinson, left, chairman of the National Association of Chain Drug Stores for the past year, introduces the chairman for 1988-89, Stew Turley, chairman and ceo of Jack Eckerd Corp. Under Robinson, who is also chairman of Perry Drug Stores, the NACDS has undergone some dramatic changes, including the selection of a new president, Ron Ziegler, to replace Bob Bolger. More than 2,400 chain drug and associate supplier company members attended the association's annual meeting at the Breakers, the largest ever.

Revco in financial restructuring; calms vendors on commitments

By James Frederick

TWINSBURG, Ohio — Staggered by a heavy debt load, Revco D.S. has begun a major effort to reorganize its equity structure and financial obligations and reassure its vendors that it will meet its commitments.

In mid-April, Revco replaced Salomon Brothers as its investment banker with junk bond specialist Drexel Burnham Lambert to help the company develop a new capitalization plan with its bond holders and a more realistic payment schedule with its lending banks. The bond recapitalization plan will shortly go before the Securities and Exchange Commission for approval, and Revco chairman and ceo Boake Sells expressed hope that the company would be on a more solid footing with its creditors by late summer.

"Within three weeks, we

See **Revco,** *page 53*

Carls sale to add heat to upstate New York market

ROME, N. Y. — The just-completed purchase of Revco's Carls Drug Co. division by Victory Markets will add heat to drug store competition in upstate New York, as Victory flexes its capital muscle to expand the Carls operation and exploit synergies between the two retail companies.

For Revco, the sale pumps much-needed cash into its coffers as the company works to meet its debt-service obligations. Revco said it is confident it will make a $37.5 million principal payment on senior bank debt due May 27.

Victory Markets and Revco finalized a deal for the sale of

See **Carls,** *page 53*

Carls
DRUGS

A Carls Drug unit in Elmira, N. Y. New parent Victory plans expansion for chain.

Cullum's Drugs Plus sees deep-discount opportunity

Has scanners, big home health care dept.

By Susan Ball

DALLAS — With the opening of its first Drugs Plus store here May 1, Cullum Cos. has stepped from the sidelines into the deep discount game, and it's playing some positions left unguarded by local opponents.

For starters, Drugs Plus, situated in a strip center in northeast Big D, is equipped with front-end scanning, unlike such competitors as Drug Emporium and Texas Drug Warehouse.

In addition, Drugs Plus is offering 40-percent discounts on home health care needs, and the extensive (in excess of 60 feet) department carries an array of large equipment, such as wheelchairs, for rent and sale. "Very few folks discount such things," said Mark Malone, Drugs Plus coordinator, who noted that the first Drugs Plus is located in an area that includes three or four nursing homes, several doctors' offices and many retirees.

The new deep discounter is literally up front with what it considers two key departments: One of the two front entrances leads into pharmacy, in the front righthand corner; the lefthand entrance leads into the video section, with 6,000 rental titles.

"Customers have unrestricted access; they don't have to pass through a turnstile to get to pharmacy, for example, which is especially convenient for older people," Malone said. He estimated that the three pharmacists will start off handling about 1,000 prescriptions a week.

Drugs Plus' video section is self-service: customers select the actual tape they want ("not just the empty container"), pay for it—93 cents per tape—and have it passed to them through a sensor-equipped opening, Malone explained. There are two checkouts in the video section, in addition to six at the front and one in cosmetics.

Other features distinguishing Drugs Plus' mix from some other deep discounters include a full variety of baby formula; 32 feet of pet supplies and sundries at under 25-percent markup; and acceptance of charge cards.

At 23,500 square feet, the first deep-discount store is smaller than the five others the new division plans to open this year. "You really need 28,000 to 30,000 [square feet]," said Malone, who joined Cullum in February and

See **Cullum,** *page 53*

LATE NEWS

- LOS ANGELES — Aided by a 28-percent increase in Thrifty first-quarter profits to $22.7 million, Pacific Enterprises, Thrifty's parent, reported a 1-percent increase in net income from continuing operations, to $64.2 million for the first quarter ended March 31, on $1.49 billion revenues.
- TAYLOR, Mich. — Mickey Kole, who resigned as group vp of Perry Drug Stores early this year after a 30-year career with the chain, has been named president of National Wholesale Drug Co., a $130 million drug wholesaler and periodical distributor based here.
- HARVARD, Ill. — Wal-Mart Stores is nearing Chicago's metropolitan area with plans for its first stores in northeastern Illinois. The 1,140-store chain is preparing a 41,000-square-foot store for an August opening in Harvard, about 70 miles northwest of Chicago, and will also open new stores in the northern Illinois towns of Pontiac, Round Lake Beach and Rockford over the next year.

Taylor is dominant in Louisville with its purchase of Otto Drugs

LOUISVILLE, Ky. — In a move that gives it market share dominance over Walgreens in this metropolitan area, Taylor Drug Stores has bought Otto Drugs Inc. for an undisclosed amount.

"We've been talking off and on with Otto for the past 10 years," said William H. Harrison Jr., chairman and ceo of Taylor, the country's oldest drug store chain, founded here in 1879. The agreement "was about as friendly as you

See **Taylor,** *page 53*

Otto makes graceful exit; chain was strong in Rx, seasonals

LOUISVILLE, Ky. — After almost 20 years, in which it quietly built itself up to a 15-store chain second only to Walgreens in per-store sales volume in this market, Otto Drugs is making a graceful exit from the drug store scene.

"Of course, there's sadness in leaving," said Otto's retiring president, Charlie Grantz, 65, "but a time comes. . . and it will be nice to go play golf and fish a little."

Besides, "we couldn't figure out how to leave it to our 21 kids," Grantz said of himself and Irvin J. Kupper, 62, Ot-

See **Otto,** *page 53*

NEWS IN BRIEF

Revco sells Crown Store Equipment Co.

HOLLAND, Ohio — Revco said it has sold the Crown Store Equipment Co. to David Barker and Ron Madden of Meridian Holdings, Inc., the U.S. affiliate of Meridian Holdings, Ltd., Great Britain, and Fred Brown, a U.K. drug store retailer. The sale of the company, which designs and makes store fixtures, was completed March 28 for an undisclosed amount. Barker said Meridian plans to expand Crown rapidly as a major fixture vendor and add European fixture designs.

Besides a plant here, Crown has woodworking plants in New Castle, Va. and Pineville, La.

Stevens succeeds Robertson at Meyer

PORTLAND, Ore. — Fred Meyer has named Frederick Stevens to succeed Oran Robertson as chairman and chief executive. Stevens, 51, last served as executive vp in charge of specialty retailing at K mart, where he oversaw the operation of Pay Less NW and other specialty divisions. Robertson, 70, remains a director.

Fred Meyer is a leading Northwest retailer of food, drug, general merchandise and home improvement products, with sales of $1.36 billion and net income of $18.3 million in the first nine months of this fiscal year.

Thrift names three top merch execs

PITTSBURGH — Thrift Drug has named three executives to new management posts, president Robert Hannan announced. Robert Verscharen was appointed general merchandise manager. He is responsible for drug purchasing and repacking, the supervision of drug wholesalers and all purchasing activity in durable medical equipment, optical, and mail-order pharmacy. He will also oversee development of new in-store health care programs.

Donald Green, marketing manager since 1982 for cosmetics and private label H&BA, has been promoted to general merchandise manager. He will be responsible for OTC drugs, cosmetics, candy, tobacco, and private label.

Ronald P. Reagan was named merchandise manager for imports and convenience lines. In addition to managing the import program, Reagan will have responsibility for convenience line purchasing activities.

Leonard and Conway out at Zenith Labs

RAMSEY, N.J. — Smarting from heavy losses in the past two years, Zenith Laboratories has dismissed president and chief executive James Leonard and chief operations officer Kevin Conway. Replacing them are board chairman John Farber and new president Larry Weber, a management consultant.

Zenith is also proposing a number of cost-cutting measures and is negotiating with creditors to ease debt burdens, which have risen sharply in the past year after manufacturing irregularities were uncovered by the FDA. In 1987, Zenith's sales dropped 14 percent and the company had a loss of $11.8 million.

Zenith has worked with the FDA to correct its plant problems, and Farber said drug sales are again on the rise. In addition, the company has developed several new products for marketing following FDA approval.

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Vol. 10, No. 10 May 9, 1988

Genovese launches full-line home health care program

Merchandising Spotlight

MELVILLE, N. Y. — Genovese Drugs is projecting $2 million in first-year sales from a full-line home health care program it has launched in a joint venture with a Pittsburgh-based home health company.

The program is called Genovese Med Care. Genovese Drug customers use an 800 number publicized in the chain's 83 stores to order home health items, have them delivered to their homes, and be trained in their use, said Ralph Rescildo, Genovese's vp-pharmacy services.

Genovese's partner in the program is Medical Supply Service, Inc., a 19-year-old home health care company operating in nine East Coast states. JC Penney subsidiary Thrift Drug of Pittsburgh had worked with MSS in a joint venture, before launching its own full-service home health care business last year.

Genovese Med Care will increase Genovese's commitment to home health care, without requiring expanded inventory investment. The chain has had limited success in its experiments with free-standing units, such as a store in Queens, N. Y., and with expanded in-line departments in several stores .

A lack of adequate computerization and difficulty in collecting accounts receivables were drawbacks, Rescildo said.

Handling all promotion of the Med Care program, Genovese will shortly begin radio ads introducing it with the theme "Genovese can take good care of you."

The radio spots will supplement newspaper ads, as well as in-store signage, bag stuffers and pamphlets at pharmacy and checkout counters. The program will also be promoted at in-line home health care sections the chain will continue operating, said Rescildo.

About 81 stores will continue stocking 24 to 36 linear feet of home health items, including crutches, incontinent products, and blood pressure and home diagnostic equipment.

Rescildo said pharmacists have been instructed on the Med Care program, and will be able to assist customers in the stores.

Customers receive information about available products and services after they call the 800 line. In-store brochures carry only brief descriptions of available items.

MSS staff work with the customers and their physicians to insure they receive products suited to their needs, and the "best buy," available, said MSS president Bob Cohn.

MSS receives consumers' orders on a 24-hour basis, delivers items—bearing the Genovese Med Care label—into the home, and demonstrates their operation.

The company has built a 25,000-square-foot warehouse in West Babylon, on Long Island , to service the Genovese markets. Trained staff and delivery trucks are at the site and offer 24-hour emergency deliveries. The company processes all Genovese Med Care consumer and third-party payments. A shared services agreement dictates the fee received by MSS.

Rescildo said the program's high level of responsiveness and expertise will be a key positioning factor against competition, which consists of in-

See **Genovese,** *page 53*

Holmes fills Revco's CFO slot

TWINSBURG, Ohio — William Holmes has been named executive vp-finance and chief financial officer of Revco D. S., in charge of all corporate financial and accounting functions. He succeeds Vito Cardace, who resigned in March.

Holmes, 42, spent nine years with Republic Steel Corp. and last worked as vp-finance and cfo for Cleveland-based M. A. Hanna Co., a Fortune 500 maker of plastics. At Hanna, he spearheaded a major recapitalization program resulting in a $500 million acquisition program.

In a related move, Revco promoted John Robert Lang to vp and corporate controller, succeeding David Stitt, who has resigned. Lang, who came to Revco in March as head of marketing analysis, will now oversee general accounting, accounts payable and other functions, reporting to vp-financial controls Mo Aziz.

Revco also recently named Walgreen veteran Simon Eisenberg to the new post of director of third-party marketing, in charge of developing mail-order pharmacy and other programs for the chain. Eisenberg, who served as a pharmacist and pharmacy supervisor for Walgreens for nearly 20 years, will be responsible for planning, organizing, directing and controlling group marketing activities. As such, he will review third party contracts, develop and implement Revco's administrative and mail-order pharmacy programs, and negotiate third-party contracts.

"We look forward to utilizing Eisenberg's expertise in establishing a variety of drug programs that will keep us on the cutting edge," said Robert Mandelbaum, vp of Revco's third-party operations.

Sixty years of drug store retailing

15¢
Coca-Cola
20¢
SODA and LUNCH

Sodas were served with a smile at this Hook's Indianapolis store in the early 1930s. One could get a baked ham sandwich and a malted milkshake for a quarter. The corner soda fountain was a place for teenagers to meet with friends or escort a young woman for a shared strawberry milkshake—with two straws, of course!

Industry fights for ethnic market share

'Committed' chains and high-volume independents show some strength against inroads made by food stores and mass merchandisers

The ethnic category did not have fashion on its side in 1987, and that made for another tough year for the category.

According to A.C. Nielsen Market Research estimates, the total category was flat in 1987, with sales up just 2.4 percent to $265.9 million.

Ethnic sales in the drug store industry were down 5 percent to $152.8 million, according to Nielsen estimates, but because of aggressive promotions, some chains and some regions did better than that.

Executives with stores in what they called "strong ethnic neighborhoods" reported doing well with the category in those particular stores, and management for chains like Peoples Drug, Perry Drug and Walgreens said they were expanding their presence in ethnic to make sure the black shoppers realize that all their stores are "committed" to the category.

Food and mass merchandise stores are also trying to solidify their position in the category, and last year, chains like Wal-Mart and K mart, as well as food stores like Vons and Albertson's, were expanding their assortments and promoting ethnic brands more aggressively.

Nielsen is estimating that ethnic sales in food and mass merchandise stores increased about 3 percent in 1987.

As a result, the overall drug store industry lost sales on ethnic products in 1987, and Nielsen is reporting that their share of sales dropped 4.4 percentage points to 57.5 percent in 1987.

Ethnic distributors, who service most of the major chains with ethnic products, report that on the average, chain drug stores seem to have been hit the hardest by the competition.

The more obviously committed chains like Walgreens did well with the category, but most of the major chains only did well in select stores.

The high volume independents, distributors say, seem to have been able to protect their share somewhat better because of their flexibility.

Distributors say the independents, on the whole, have done a better job of keeping abreast of fashion trends and of bringing in the trendy new products that prompt ethnic sales.

However, even the distributors agree that there were not too many hot new products in this category in 1987.

Ethnic sales are highly dependent on fashion trends, and this year, as well as last year and the year before, fashion has not been good for ethnic product retailers.

"Hair styles are so diversified," says Geri Jones, acting director of the American Health and Beauty Aids Institute, "that some product segments have lost their broad base of users. One segment, however, is growing and that's styling aids. No matter what cut people have, they need styling aids, especially the gels.

"Moisturizers are also growing," Jones says, "because many people with relaxed hair are trying to make it wavier."

The curly look, which was responsible for so much dramatic growth just a few years ago, is still an important look, but it is no longer generating growth because fashion styles have changed. Shorter and more relaxed hair styles are in, but that story isn't good for retailers because short hair doesn't require much after-care.

Buyers and distributors confirm that the bulk of the after-care hair products selling well today are primarily lower-ticket items.

Hair conditioners are still popular, along with styling aids, and so are coloring products and products that add sheen to the hair. Foundation powders and skin creams are selling better, but they still represent just a small base of business. Appliances like curling irons and hair straighteners are continuing to do well.

Bonus packs, value packs and instant coupons have been very popular in 1987. Distributors and buyers say that consumers have been responding well to promotions featuring value. Consequently, many manufacturers right now are putting instant redeemable coupons on their packages, and they are also shipping a much higher percentage of bonus and value packs.

"There's more couponing today than at any other time in the past," says Kent Humphrey of Jack's Service Distributors in Connecticut. "Every major manufacturer has a coupon going."

In fact, ethnic product distributors and some buyers say that the coupons and the bonus/value packs have "driven" much of the growth in this category in 1987.

Some sources say the bonus packs have not been good for the category because they "take consumers out of the market for too long on key items." However, others say that even though they know they do lose some sales to consumers who stockpile, they believe they're at least generating some incremental sales from impulse shoppers.

"Sales on items with bonus

Continued on page 12

Drug chains with stores in ethnic markets are making a special effort to court black shoppers today. Many chains are "fine tuning" their mix to offer a varied selection of the best selling brands and the hottest fashion items. Their objective is to please the ethnic shopper and in the process "woo her from the food, discount and beauty/barber store competitors."

AHBAI conference to eye ethnic category strategies

The American Health and Beauty Aids Institute (AHBAI) is sponsoring three new "interaction sessions" at its sixth annual mid-year Business Conference June 26 through June 30 at the Four Seasons Hotel in Dallas.

The conference theme is "The Changing Ethnic H&BA Category: Strategies For Prosperity."

The new "Interaction" program features three sessions in which AHBAI members will be able to meet one-on-one with key industry representatives.

A social session has been developed for retailers and distributors to meet with the leading manufacturers of ethnic H&BA products. A similar session has also been scheduled for full-service beauty and barber suppliers to meet with ethnic manufacturers, and the last session will let the manufacturers meet with associate members such as chemical and packaging companies.

There will also be panel presentations and workshops at the show.

Interested parties can register by contacting AHBAI in Chicago at (312) 644-6610.

Black women are great cosmetics/fragrance shoppers, buyers and cosmeticians tell *Drug Store News*. In addition to buying black cosmetic lines like Posner and Ultra Sheen, black women also tend to buy the darker Cover Girl, Revlon & Maybelline shades. Also popular with black shoppers are designer fragrances like Passion, White Linen and Obsession. Store clerks say black shoppers willingly pay full price for the convenience of buying designer fragrances in their local drug stores.

Buyers say that shower caps & hair care accessories sell like "gangbusters" to ethnic consumers. Buyers say women are buying all sorts of hair accessories from barrettes to pony tail holders, but shower caps fill a special niche. Many black women use them to cover their hair after it's been conditioned. Caps help the conditioners really penetrate the hair and allow women the freedom to go wherever they like, while conditioning takes effect.

Ethnic consumers tell *Drug Store News* that price matters to them when they buy commodity hair care products. A value pack or a discounted price is apt to influence a purchase decision for many consumers. But shoppers also say they want certain guarantees of quality in the products they buy, and products without alcohol or lye in their formulas are especially popular today.

Hair Care
Hair Care
Hair Care

Many drug chains are getting growth from ethnic products because buyers say they are putting more departments into stores with at least 10 percent to 15 percent black traffic. Many buyers say attracting and satisfying the ethnic shopper today is "critical" to their ability to achieve "significant overall same store growth."

'Committed' chains, high-volume indys show ethnic muscle

Continued from page 11

packs have usually tripled," says Rocky Piccirillo, vp of operations of Beauty Enterprises in Connecticut. "That has got to have generated new usage." However, not everyone agrees with that assessment. In Chicago, Lou Ornstein, the president of Judith Lynn beauty suppliers, says that bonus packs "take the consumer out of the category for too long, and gets them too used to buying product only on the basis of price."

In Atlanta, Mike O'Brien of Harris Beauty Supply says he can't be sure if the bonus packs are taking the consumer out of the market longer, but he says the promotions have generated "a lot of dollars, and they have helped give the category some growth this year."

In Oklahoma, Kent Humphreys of Jack's Service says the retailer hasn't learned how to maximize the combo packs.

"You can feature combo packs and still maintain 80 percent to 90 percent of your regular sales," says Humphreys, "plus get incremental sales." Humphreys says the key is to put the combo packs on endcaps where they can generate impulse sales. "I had 31 combo items on my deal sheet last month," he says, "and they created plus business for me and for the retailer."

Steve Lund, vp of merchandising for Perry Drug, has another opinion. "I think if consumers buy a bonus pack, they tend to use more of the product and then they're back in your stores to buy more. Also, if they buy a bonus pack from me, that keeps them out of my competitor's store, and I like that."

This section was compiled and written by Elizabeth Parks.

Drug store share of ethnic hair prep sales

Year	Share
1986	61.9%
1987	57.5

Source: Nielsen Market Research, year ended Dec. 1987.

Sales of ethnic hair preps flat in 1987

Outlets	Retail sales (millions of $)	% change '87 vs '86
Drug stores	$152.8	(5.0%)
Food/mass merchandise stores	113.1	2.9
Total	265.9	2.4

Source: Nielsen Market Research, year ended Dec. 1987.

Chains revitalize vitamin category by boosting private label

Some drug chains are attempting to chase away the vitamin category blahs with pepped up promotional and merchandising tactics for their private label lines.

A large West Coast chain, for example, recently moved all its private label vitamins/supplements from a position "off to the side" to the top shelf of its 21-foot vitamin display.

"Merchandising for profitability" is the way one of the chain's vitamin buyers characterized the new emphasis. "Private label is where most of the dollars are made in vitamins, so we're trying to make them a bigger factor."

The buyer added that margins in private label vitamins run higher than the 30 percent margins on branded products.

Drug stores increase share of vitamin sales

Outlet	1983 share of total category	1986 share of total category
Drug stores	31%	33%
Supermarkets/combos/ discounters	17	21
Health food	29	23
Direct selling	14	15
Mail order	8	6
Other	1	2

Source: Council for Responsible Nutrition

Stephen Lund, assistant vp-merchandising and private label buyer for Perry Drug Stores, found in a study he conducted about two years ago that the private label segment of vitamins accounted for more than 50 percent of the chain's total vitamin business, and "it continues to grow in spite of vitamins being a relatively flat category."

Perry subsequently repackaged its private label lines to achieve a more consistent look, brightening the packaging and giving a more uniform identity to vitamin "families."

The Michigan-based chain does three major private label vitamin promotions a year: in January, late spring/early summer, and at back-to-school time.

K&B highlights its private label products, which are placed alongside branded equivalents that point up savings to customers of up to 30 percent. According to buyer Irby Bourque, private label is the most profitable segment in the vitamin/supplement category, which as a whole has about a 7 percent annual growth rate.

Although private label margins are better, he cautions, "You have to be careful there: You may get 60 percent gross on a $3 product rather than 20 percent on a $10 profit, but you're still taking about the same amount to the bank. You have to maintain the same number of gross margin dollars as the national brands and still give customers savings."

For customers in the depressed oil economy of K&B's Gulf Coast markets, savings are a big factor in vitamin/supplement purchases, as in other categories. In response, the chain has stepped up its advertising of branded and private label products in the category in the past year or so.

Vitamins/supplements are represented in every ad, and the number of items included has been increased from two or three to a range of five to seven per circular. About once per quarter, K&B devotes a full-page ad to vitamins, including "two-fors" and "buy and saves." Private label items are advertised at least monthly. Advertising vitamins also helps the chain convey its health care image, Bourque added.

For the category as a whole, the best performers appear to be multiple vitamins and vitamins C and E.

Calcium supplements remain a strong segment, according to several buyers, in spite of reports raising questions about calcium's value in preventing osteoporosis, as well as recent attention accorded a survey of calcium supplements that challenged the effectiveness of more than half the products tested.

"Calcium supplements aren't on the growth curve they were two years ago, but it's still respectable," Lund said, adding that Perry did get some questions from customers about the Shangraw study.

Sales of branded calcium supplements had slowed down "toward the end of last year, even before the study came out," said a Northwest chain buyer. "People were beginning to figure out, 'Do I really want to pay more for this brand?' They're looking at what calcium they should be taking."

But buyers at K&B and a major Western chain discounted any adverse impact on sales from the osteoporosis or disintegration issues. "We haven't seen a decrease," said Bourque. "Price has become an issue, though. We are seeing less brand loyalty."

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DRUG STORE NEWS®

Vol. 10/No. 11 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. May 23, 1988

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Walgreen taking Wag's off the menu

Division on block despite recent expansion efforts, total exit seen

By James Frederick

DEERFIELD, Ill. — Extending the back-to-basics trend sweeping the chain drug store industry, Walgreen Co. has put its 87 freestanding Wag's family restaurants on the selling block in order to concentrate on its core drug store operations. A spokesperson indicated that this was the first step in Walgreen's exit from the food-service market.

The restaurants, located in Illinois and Florida and open 24 hours a day, comprise less than 3 percent of Walgreen's business.

Walgreen has contracted with Merrill Lynch Capital

See **Walgreen,** *page 71*

Walgreens food service operations peak in 1985

	1983	1984	1985	1986	1987
Sales (in millions)	$112.8	$119.4	$122.3	$121.1	$119.3
Number of restaurants*					
Separate	80	85	94	94	102
In-store	132	119	87	59	42

*At year-end

Source: Walgreen Co.

Retailers wait and see after high court discounter ruling

By Susan Ball

NEW YORK — Drug chain executives and industry sources generally discount any major impact from the Supreme Court's recent ruling upholding a manufacturer's right to reach agreements with higher-priced retailers to stop supplying discounters.

F&M president Frank A. Newman summed up the view of most drug veterans interviewed, noting that "manufacturers who have come to enjoy the volume generated by discount stores of all types aren't going to do anything to give

See **Retailers,** *page 71*

Paul W. Cockerham provided research assistance for this story.

Are drug chains left vulnerable to price fixing practices?

News Analysis

By Ken Rankin

WASHINGTON — Drug stores may find it difficult if not impossible to fend off anti-competitive resale price fixing conspiracies as a result of the U.S. Supreme Court's latest antitrust ruling.

In that case, *Sharp vs. BEC*, the high court severely narrowed the definition of "resale price maintenance" in a way that will permit full-price retailers to openly

See **Supreme Court,** *page 71*

LATE NEWS

- WORTHINGTON, Ohio — Rich Landers, a former vp-merchandising with Gray Drug Fair, has been named vp-marketing at Drug Emporium. Landers, who was most recently with Boston Distributors, will report to Gary Wilber, executive vp.
- EL MONTE, Calif. — The Vons Cos. reported a loss of $3.2 million for the first quarter ended March 27, compared with a net *pro forma* gain of $1.1 million for the same quarter of 1987. Sales for the quarter were $723.1 million, down 3.3 percent from $748.1 million in last year's comparable period.
- DALLAS — Cullum Companies, owner of the Tom Thumb/Page stores, is preparing to launch a new combo format geared for ethnic consumers. The Rainbow store format—planned for debut this summer at a south Dallas site—will include a pharmacy and will tailor its grocery and drug store mix toward Hispanic and black shoppers.
- TORONTO — Boots Drug Stores has agreed to sell 11 of its 32 stores in British Columbia to Shoppers Drug Mart by mid-June, said Boots president John Cohen.

Buyers prep for Associated/ Affiliated's spring show

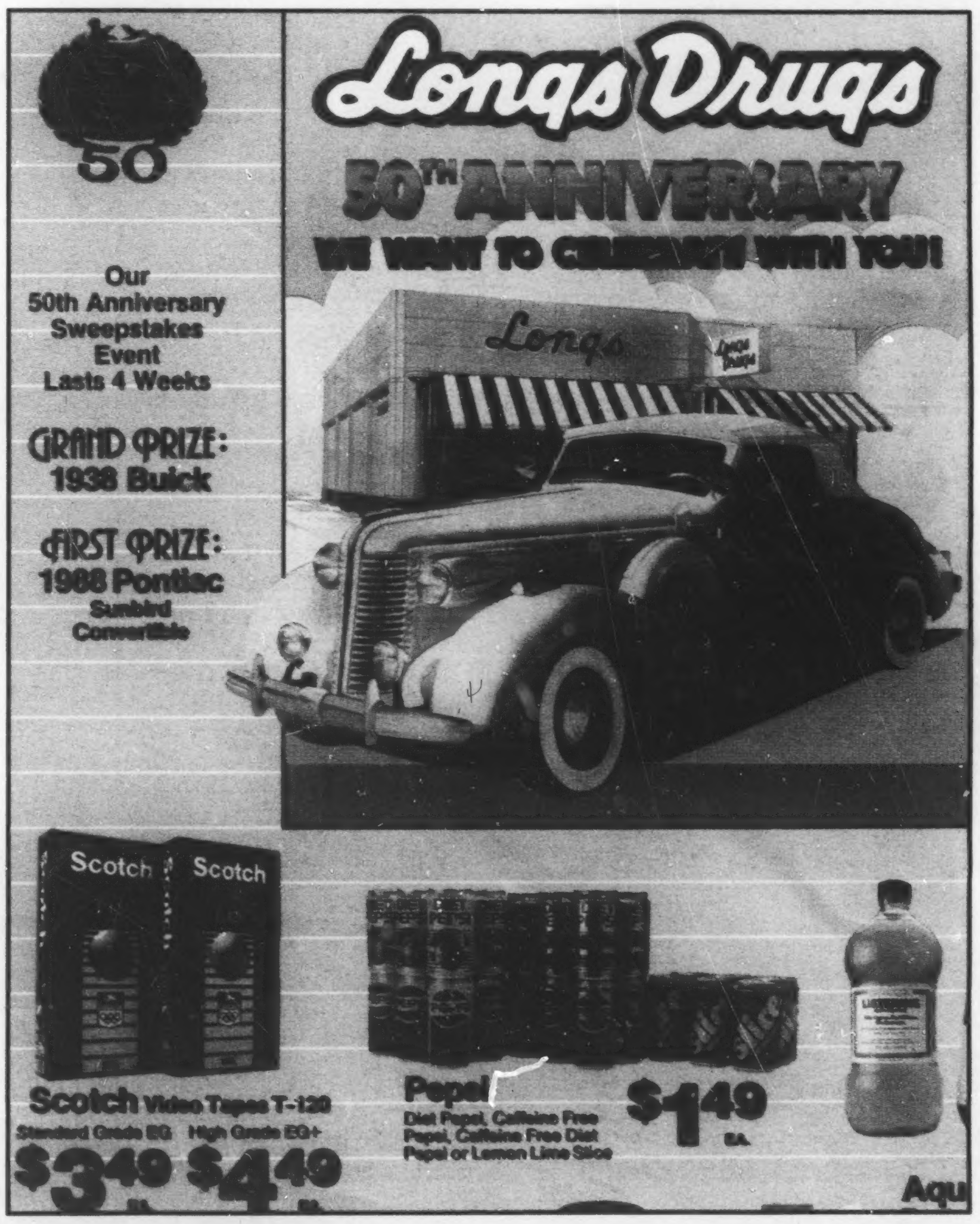
NEW YORK — Drug chain executives were preparing at press time to view new offerings and buy for late '88-early '89 at the annual Associated/Affiliated Drug Stores Spring Buying Show May 15 to 18 here.

More than 80 large and small chains were scheduled to attend events that began Sunday in the Sheraton Centre.

Associated Drug Stores members will hear five speakers on Sunday. Dave Eisenberg, Peoples Drugs' senior executive vice president and chief operations officer, will start with a review of changes underway at the Alexandria, Va.-based drug chain.

Glamour magazine will pro-

See **Buyers,** *page 71*


50
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WE WANT TO CELEBRATE WITH YOU!
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Diet Pepsi, Caffeine Free Pepsi, Caffeine Free Diet Pepsi or Lemon Lime Slice
$1.49 EA.
Aqu

The Longs 50th anniversary celebration this month has a unique style, and involves customers heavily with sweepstakes and special values.

Longs Drug Stores celebrates 50th anniversary with style

WALNUT CREEK, Calif. — Longs Drug Stores has a large-scale month-long advertising campaign under way to trumpet the chain's 50th anniversary celebration.

A number of drug chains have reached milestone anniversaries recently, but few have celebrated with the style of Longs.

A deliberately conservative approach in ads is meant to reach current customers and break ground with new ones. The campaign includes television and radio spots, circulars, in-store banners, balloons, posters and giveaways for both employees and customers.

Nostalgic graphics stress the

See **Longs,** *page 3*

NEWS IN BRIEF

Fifth Price Chopper with Rx bows

SCHENECTADY, N. Y. — Price Chopper Supermarkets, which operates 75 supermarket and convenience stores in the Northeast, opened its fifth supermarket with pharmacy April 27 in Newburgh, N. Y. Price Chopper is owned by Golub Corp.

Marketplace show coming in June

ORLANDO, Fla. — NACDS will hold its second annual Marketplace Conference June 19-22 at Marriott's Orlando World Center here.

The conference, which was developed by merging the association's cosmetic-fragrance marketing and merchandising conferences, is designed to bring together chain buyers and supplier executives in order to improve working relationships.

Kendall named F&M operations vp, cfo

L. Kendall

WARREN, Mich. — F&M Distributors has appointed Laura C. Kendall as vp-central operations and cfo.

Kendall was formerly with Perry Drug Stores as vp-finance since 1986. Prior to that, she was a senior manager at Arthur Andersen & Co. for 11 years.

A graduate of Western Michigan University, Kendall will be responsible for finance and accounting, data processing, warehousing and distribution.

American Stores makes a move to Calif.

IRVINE, Calif. — American Stores Co. announced it will move four of its 464 employees from its main headquarters in Salt Lake City to a building here July 1 and call this its new headquarters facility.

The firm rationalizes the move by saying it wants to be closer to one of its major markets.

The four will be in the same building that houses the company's Skaggs Alpha Beta division headquarters, which has been located here since last year, according to Michael Holt, vice president of investor and government relations.

Holt said the remaining 460 employees in Salt Lake will operate as the branch office support staff for American Stores.

In addition to operating Skaggs Alpha Beta stores in Southern California, American Stores' Osco drug store division also has a strong presence in the area.

Neuman headquarters goes state-of-art

PATERSON, N. J. — Neuman Wholesale Drug Co. plans to move to a new administrative and warehouse facility in Ridgefield, N. J., by mid-summer.

Designed by Jack Frost Associates of California, the 105,000-square-foot building will double Neuman's space and incorporate a state-of-the-art computer system for order processing, among other efficiency features.

"The new home warehouse will allow us to more than double our current output comfortably," said president Sam Toscano.

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Vol. 10, No. 11 May 23, 1988

Austin to refine cosmetics into specialty boutiques

Merchandising Spotlight

EAST MEADOW, N. Y. — Austin Drugs, a high-volume nine-unit chain of upscale drug stores in upper class Nassau and Suffolk county neighborhoods, is planning to refine its cosmetics departments.

The chain is currently analyzing its cosmetics departments, which already account for 15 percent of total sales, to determine how much more can be done to transform them into mini-cosmetics specialty boutiques.

By October, in time for the Christmas selling season, Austin will complete the revamp of a new cosmetics prototype in its flagship Huntington store. That store will be given new lighting, new decor, new fixtures and a more expanded assortment of prestige cosmetics and fragrances.

Seeks 'inviting' environment

Gary Spielfogel, Austin president, says he wants to create "the kind of environment that invites the customer into the department as a separate part of the store. Austins are typically 10,000 to 11,000 square feet, and cosmetics commands close to 20 percent of that in some layouts.

"We want to give that department a look that will let it remain distinct and apart from the rest of the store. We have an upscale image now, but we want to refine it . . .restate it.

"We want to look at our mix to be sure we have the items that can justify their home in the department, and we want to consider adding more lines that will enhance our image as a specialized cosmetic merchant," Spielfogel says.

Big on prestige lines

Austin is currently one of the few drug chains authorized to carry an everyday assortment of major department store prestige brands. Currently about one third of its mix is prestige brands, and the rest is franchised.

If Austin evolves cosmetics into more of a specialty boutique presentation, that could

Continued on page 71

Austin will remake cosmetics in 1988 to help retain its upscale image.

DrSN advisory board gains two

D. Schwartz

R. Schiff

NEW YORK — Ron Schiff, president and chief operations officer of Pay Less NW, and David Schwartz, president and chief operations officer, Perry Drug Stores, have joined *Drug Store News'* Board of Advisors.

The drug chain executives will join 10 other top drug industry officials on the board, which helps *Drug Store News'* management and editorial staff identify and report on key issues facing the industry.

Schiff, 49, has been with Pay Less NW for 28 years, since joining the Oregon-based drug chain in 1960.

He has held posts of increasing responsibility, and has been an instrumental force in building the 260-drug store chain, which is now a division of K mart.

Schiff was named vp-merchandising in 1972, senior vp-operations in 1980, and president in March 1986.

Schwartz, 41, joined Perry in May 1987 as part of a broad restructuring at the Michigan company. Schwartz assumed day-to-day responsibility over all Perry retail operations, including 450 drug stores and the since- divested auto parts stores. He has also worked to strengthen the management team and formalize annual planning.

The young manager began his retail career at Skaggs Drug Stores in the mid-1960s. He was instrumental in introducing the Albertson's combo format into Florida, in a Skaggs/Albertson's partnership, and went on to hold top posts with Albertson's.

He joined Kroger in 1985, where he was vp-drug and general manager before joining Perry.

Sixty years of drug store retailing

Columbia Pictures' 1955 film "My Sister Eileen", starring Janet Leigh and Bob Fosse, used a reproduction of the The Walgreens' fountain located at 1501 Broadway, New York City, for filming in Hollywood.

TRENDS

Soft-White
Soft-White
Lighting Center

The deep discount approach to lighting is evident at Price Less, Sacramento, Calif., where multipacks and popular single bulbs dominate displays.

Drug chains are battling to keep bulb sales bright

The $2.8 billion U.S. market for light bulbs continues to reap the benefit of massive promotional efforts by manufacturers and retailers, but sales increases are brightest for discount stores, supermarkets and home centers rather than for drug chains.

Drug stores continue to do a respectable job with the bulb category, carving out 8.9 percent of total sales last year. That figure, however, represents a slight downturn from the previous year's 9.1 percent share.

Moreover, drug retailers are promoting harder than ever to maintain sales in the home lighting category against their larger-scale, full-line competitors, especially discount stores. In a category that has become increasingly competitive and price-sensitive, with everyday low prices and constant promotional activity now the norm, mass merchandise outlets are advancing steadily in market share.

Thus, drug retailers are faced with a tough choice: to sacrifice gross margins with heavy promotional activity and price-cutting in order to stay competitive, or to risk losing market share while maintaining good margins in the category, relying instead on aggressive merchandising and marketing to maintain sales. Both approaches are being taken.

"Lights are a very competitive area, especially the conventional bulbs, and margins are definitely diminishing," said Kim Milburn, sundries buyer for Canada's Big V Pharmacies Co. in Ontario. "On a promotional basis, we're just about selling bulbs at cost, and that seems to be where the market is going. You're paying to draw the traffic with your bulb sections by sacrificing your margins, unless you're careful."

"We just can't match the discounters on price in bulbs, so we don't try," added one buyer for a major drug chain in the South. "Our prices on bulbs are higher than the discounters, but lower than the other drug chains in our market, and we promote them almost constantly.

"You can do a certain base level in sales without promoting, but with all the competition this category has, you have to advertise and promote pretty heavily to really do well."

Nevertheless, he says, bulbs can be a profitable section. "You can make some money in it if you can maintain your price levels to some extent. It's still primarily an impulse business, and if you can put the bulbs where your customers will see them, you can sell at a decent margin."

"On ad, we make almost nothing in profits on bulbs, but on an everyday basis at regular prices they give us decent margins—around 40 percent, agreed Paul Loughren, sundries buyer for Bartell Drug in Seattle. "That's actually better than a lot of categories do."

Like many drug chains, Bartell has chosen to maintain its margins in the bulb category rather than go up directly against mass merchandisers with steep price cuts. The chain advertises bulbs only about once a quarter, Loughren said, rather than sacrifice profitability.

"Light bulbs are still a pretty stable

Continued on page 26

Consumers are willing to pay more for longer-life bulbs

Bulb category	Average retail price per bulb 1987	Average retail price per bulb 1988
Longer life	$1.01	$1.04
Soft white	0.84	0.83
Econo/Miser	0.90	0.87
Inside frost	0.64	0.61
Private label/generic	0.49	0.45

Source: A.C. Nielsen

A *DrSN* exclusive: Vereen ad tracking

The Ad Survey tracks 100 percent of the ad activity of 40 H&BA/OTC categories for the top 30 drug chains.

Drug chains emphasize 4-pack bulbs in circulars

Lightbulb SKUs advertised by major chains in February and March

Brand	Model	Advertised price	Chain
FEBRUARY			
4-packs			
Philips Longer Life	4pk/60-75-100 wt	$1.99	Phar-Mor
GE Miser Energy Saver	4pk/55-70-95 wt	1.88	Rea & Derick
GE Miser Energy Saver	4pk/55-70-95 wt	2.29	Peoples
GE Soft White	4pk	1.89	Hooks
GE Soft White	4pk/60-75-100 wt	1.79	Longs
GE Standard	4pk/60-75-100 wt	1.49	Eckerd
GE Standard	4pk/60-75-100 wt	1.49	Peoples
GE Soft White	4pk/60-75-100 wt	1.99	Thrifty
Sylvania Soft White	4pk/60-75-100 wt	1.69	Longs
Philips Longer Life	4pk	2/$5.00	SuperD
GE Soft White	4pk	1.99	Fay's
GE Soft White	4pk	1.99	Osco
Philips Longer Life	4pk/40-60-75-100 wt	1.89	SupeRx
GE Miser	4pk/55-70-95 wt	2.49	Eckerd
3 Way			
GE 3 Way		1.29	Med X
GE Soft White		1.59	Longs
Philips	50-100-150 or 30-70-100 wt	1.49	SupeRx
GE 3 Way	30-70-100	1.29	Dart Drug
GE 3 Way	50-100-150	1.29	Dart Drug
GE Soft White 3 Way	50-100-150	3.99	Osco
GE 3 Way	30-70-100 or 50-100-150	1.58	Thrifty
GE Soft White 3 Way	30-70-100 or 50-100-150	1.29	Fay's
GE 3 Way	50-135-185 wt	1.89	Eckerd
Other			
GE Decorative	2pk	1.89	Hooks
GE Soft White	250-170 wt	1.79	Dart Drug
Rite Aid Standard/ Soft White	40,60,75,100 wt	2/$.69	Rite Aid
GE Soft White	12 ct	4.99	Walgreens
GE Standard	60,75,100	0.99	Walgreens
MARCH			
4 packs			
GE Soft White	4pk	4/$1.99	CVS
GE	4pk	1.49	Rea & Derick
GE Soft White	4pk	3/5.99	SupeRx
Sylvania Soft White	4pk	3.00	Drug Emporium
GE Soft White	4pk	5.99	Osco
GE Soft White	4pk	2pks/3.99	Drug Mart
GE Soft White	4pk	1.99	Med X
GE Soft White	4pk/40-60-75-100 wt	1.87	Revco
GE Soft White/Reader	4pk-100 w/3 way	1.79	Eckerd
GE Standard	4pk	1.69	Snyder
Hook's Soft White	4pk	1.39	Hooks
N/L	4pk	1.39	Longs
Philips Longer Life	4pk	1.99	Phar-Mor
Sylvania	4pk	1.95	SupeRx
GE Soft White	4pk	1.99	Fay's
GE Soft White	4pk/40-60-75-100 wt	1.87	Revco
GE Standard	4pk	1.49	Eckerd
GE Soft White	4pk	1.99	Brooks
GE Soft White	4pk	2.19	Rea & Derick
GE Miser	4pk	1.77	Osco
GE Soft White	4pk	1.88	Osco
GE Soft White	4pk	2.00	Walgreens
GE Soft White	4pk	2.49	Thrift
Philips Longer Life	4pk	1.94	SupeRx
3 Way			
GE Soft White	3 way	2/3.00	Snyder
GE Soft White	3 way	1.27	Revco
GE Miser	3 way	1.29	Osco
GE	3 way	1.19	Walgreens
Sylvania	3 way	2.54	Drug Emporium
Philips Longer Life	3 way	2.79	Begley
GE	3 way	1.19	Walgreens
Other			
Garrity Life Lite		13.00	Pay Less
Black & Decker	UFL100	9.00	Walgreens
GE Long Life	2pk	2.19	Eckerd
GE Soft White	12pk	5.99	Eckerd

Source: Vereen & Associates, Inc.

Promos shed light on bulb department sales

Continued from page 25

category for us, without a lot of promoting, but we don't see a big jump in sales, either," he said. "The soft whites do the best—they about equal the rest of the bulb category combined in sales."

Even some chains engaged in heavy price promoting, however, have become fairly adept at squeezing decent margins from the category. Deep discounters exemplify the high-volume, high-visibility approach, making up for razor-thin margins in the category with high-impact impulse displays at eye level in multiple high-traffic locations. Phar-Mor is one off-pricer that does especially well with its aggressive approach to bulbs, according to a vendor.

High-margin import programs and support from distributors and manufacturers can also play an important role in making up margins.

"If you don't have a direct importing program or a good wholesaler in this business to hold down costs and boost your margins, you're going to have a tough time making the profits you want," said Big V's Milburn. "We carry Sylvania as our major supplier of bulbs, and support it tremendously over our house brand, but our imported bulbs give us good margins."

Hannaford Bros.' Wellby Drug Stores division, meanwhile, shifted its method of distribution to improve productivity and profits in its home lighting department. The chain turned inventory control in the department over to Progressive Distributors, Hannaford's service merchandising arm, to push bulbs more aggressively.

"It used to be up to the stores to pull their bulb orders from Progressive, but we weren't getting the response from the stores that we liked," said GM expeditor Tina DiMillo of Wellby. "We gave our distributor more influence because they can do a better job of selling the lights into the stores."

Drug retailers like Bartell and Wellby also rely on specialty lighting products to help make up the difference in margins. Among the assortment most often carried by drug chains are ceiling fan bulbs, complexion-mirror bulbs and decorative lights.

"We promote specialty products just enough to tell people we have them, and if you're in a market where certain items like ceiling fan bulbs will sell, you can do very well with them," said one buyer.

Home lighting needs take many forms, including trouble lights for do-it-yourselfers, often displayed in hardware departments.

Accessories 'essential' to department mix

Electrical accessories remain a small but essential part of the chain drug home lighting department, despite the general downscaling trend that has swept much of the drug store industry and moved it back toward a more basic merchandise mix.

The category includes electrical tape and cords, three-way plugs, connection jacks for telephones, toggle switches and other items.

"We've cut back on a lot of departments that don't relate to basic drug store products, but you have to maintain some selection in areas like this," said one drug store manager in Michigan. "Customers still want the convenience."

Barbara Newland, a buyer for Giant Food and Drug in Landover, Md., said customer convenience and impulse marketing were behind the chain's practice of tying electrical accessories into the light bulb department.

Sylvania believes you can never be too close for comfort.

SYLVANIA
GTE

Close only counts in horseshoes and inventory deliveries.

Sylvania goes to great lengths to provide quality lighting and services. But when it comes to establishing warehouses, we don't go far at all.

In fact, chances are we're just around the corner from you. Because Sylvania has a large network of conveniently located warehouses.

Pay 'n Save, Burien, Wash., meets varied lighting needs with assortments of decorative, specialty, fluorescent and standard bulbs.

Major lighting suppliers are keeping promo spotlight 'on'; spending is up

All three major light bulb suppliers in the U.S. are keeping the heat on in their drive to boost sales in the multibillion-dollar category, with spending this year expected to top last year's $40 million, and other areas like print ads and couponing also being given a new boost.

General Electric, GTE-Sylvania and North American Philips are all unveiling new promotional efforts in an extended advertising campaign that has seen huge increases in spending since the start of the decade.

"Ad support increases from the manufacturing side have been substantial over the past four or five years," said Dick Dowhan, advertising spokesperson for GTE-Sylvania. "Over the past couple of years, television advertising has really mushroomed, but print and other promotional programs are also getting a new boost."

All three manufacturers are maintaining the torrid television schedule first used by Philips in 1986. At the same time, they are keeping the heat on with on-pack coupons, rebate programs, "event marketing" programs, freestanding inserts and other programs.

"We learned we could really move the meter [with these programs]," noted Philips vp-marketing Jerry Preyss, who said the company's efforts will continue with strong television, print and POP programs this year.

All three manufacturers are maintaining the torrid TV schedule first used by Philips in 1986.

Those efforts are being matched by market leader GE, which controls about half of the total bulb market, and GTE-Sylvania. GE, for instance, plans to spend $20 million in television and print advertising this year, and is working with drug retailers to boost profits without sacrificing sales against the discounters with its so-called "Four-point plan" for higher retail sales.

The plan consists of aggressive off-shelf promotion and display to move product through impulse purchasing; more circular advertising which ties in with GE's own couponing and advertising schedule; increasing the number of SKUs in the mix with specialty bulbs and other facings to maximize margins and selection; and "pricing for profit" instead of trying to go head-to-head with lowballing competitors.

"The drug outlet does not necessarily have to compete with the warehouse club five miles away to do a good bulb business, if it boosts its display and merchandising efforts," said Bob Birzell, drug sales manager for GE Lighting. "You don't have to price this category down to the bone."

GTE-Sylvania, meanwhile, continues with its "Obsessed with quality" theme in its ads, as well as with its own programs to drive multiple-pack sales and boost margins for the trade. "Some of our competitors are very heavy in TV, but we believe a well-rounded program is the best, not only with TV but with rebates, couponing, POP, print and other programs all working together," said Dowhan.

GTE also recommends adding more SKUs to the mix, and says a planogrammed, rack-jobbed lighting section with more specialty lights can boost sales 25 percent in drug outlets.

And what does that mean to you? For one thing it means less money spent on inventory. With our warehouses so easily accessible, there's no need to overstock with bulk orders.

What's more, our proximity makes order cycle times much shorter. With Sylvania you get a quicker delivery, without hurting fill rate, so there's no waiting around for an order while your shelves stand empty, and you lose profits.

Closer warehouses mean reduced breakage.

Sylvania has a very impressive track record with minimal breakage and freight claims in deliveries. Which is simple logic when you consider that traveling only a few miles as opposed to many miles can mean the difference of umpteen potholes, and just as many sharp turns.

And speaking of simple logic, does closing down warehouses make any?

Obviously not.

Yet closing their warehouses is exactly what our competition has been doing.

Not only are we maintaining our superior warehouse network, but we're continuously exploring new ways to better serve you. So even if you need a delivery in a crunch, we'll get it to you safe and in one piece, without even the slightest crunch on your lighting business.

When it comes to fill rate, Sylvania gets great scores.

We think you'll be pleased with our ability to fill your orders. Sylvania is closing in on a 98% fill rate, which is almost an absolutely perfect score.

In other words, when you place an order, we don't assume you can wait to have it delivered in several smaller shipments. We assume you need it A.S.A.P., and strive to package the bulk of your total order on the first truckload scheduled for delivery.

So grade us yourself. When it comes to prompt and complete deliveries, you'll find Sylvania Lighting is at the head of the class.

Hot dogs, apple pie, and Sylvania light bulbs.

MADE Best IN USA

Sylvania light bulbs are made right here in the United States of America, but we also pledge our allegiance to you.

Because Sylvania has an obsessive commitment to providing you with the high quality you would expect from American made lighting products.

As well as the value you'd expect.

Values like our Soft White bulb that lasts 5% longer than ordinary Soft White bulbs at no extra cost, and decor bulbs that create the perfect ambiance. Both of which come with our quality guarantee.

There are also our incandescent and fluorescent lamps designed to save electricity.

What's more, Sylvania offers attractive and space efficient slim-pack packaging. Which means a greater number of packages can fit on your shelves, offering you a greater amount of profit per turn.

Sylvania products are made here in the United States of America, not only for high quality and value, but also because we believe we can never be too close for comfort.

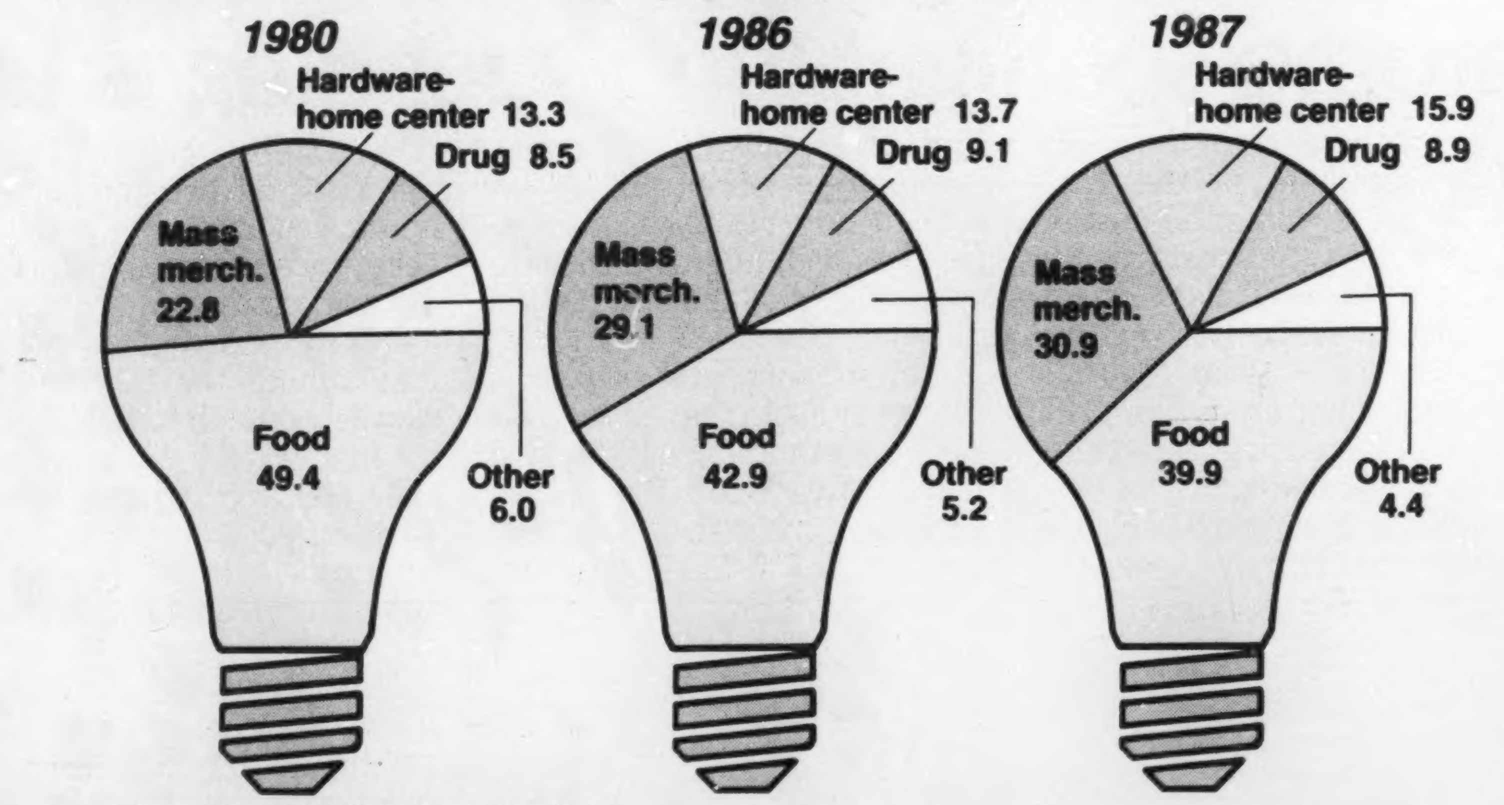
SYLVANIA GTE

WHERE THE BEST COMES TO LIGHT.™

For Product Info Fast
10339
Call 1-800-553-4355

Drug stores hold steady share of light bulb unit sales

(in percent)



Source: National Electrical Manufacturers Association

Flashlight market covers high/low price points

The market for flashlights has become an increasingly polarized phenomenon, retailers say, with both the high and low ends doing well with consumers at the expense of the middle.

Chain merchandisers agree that it is the high-end premium and rechargeable market segments that sparked a 17-percent increase in the flashlight business in 1987. Those products—ranging in price from $10 to $15—include Rayovac's Workhorse and Luma 2, Duracell's Durabeam, Eveready's Energizer Halogen and Garrity's waterproof Tuff Lite.

"Premium seems to be where the market's going, and the middle seems to be getting squeezed out of the picture," said one chain drug merchandiser in the South. "There doesn't seem to be much demand in the middle anymore."

The low end of the market, however, appears to holding up, he said. "The guy who comes in with a dollar and wants a simple, on-the-spot flashlight in a hurry will keep that end of the market going."

Big V buyer Kim Milburn agrees that the low and high ends are winning out over mid-priced models. "Rechargeable flashlights and disposables seem to be where the market is heading," Milburn said. "The area that is suffering is the general market, where the customer still has to put a battery into the thing. Maybe it's too bothersome for today's consumer to do that."

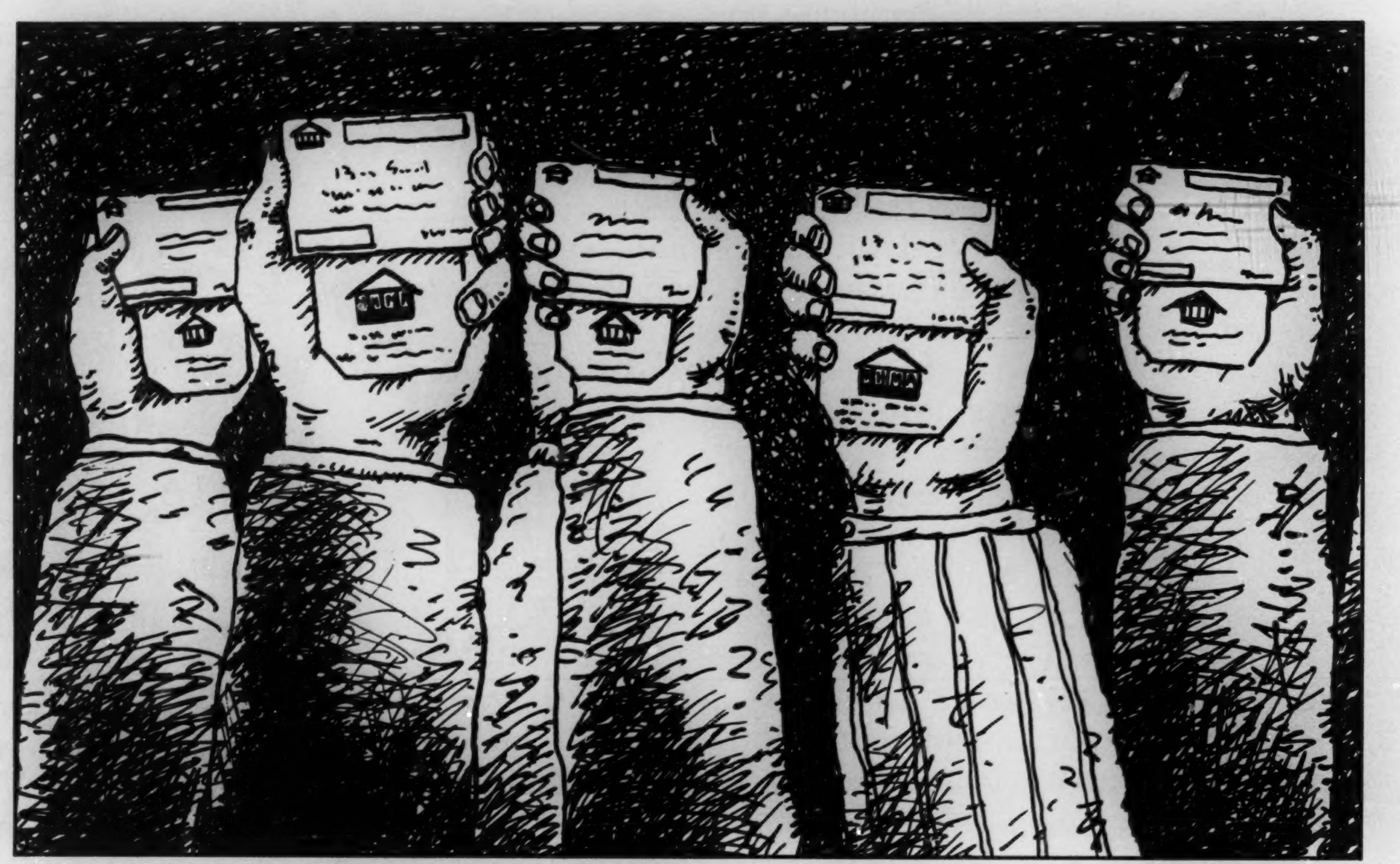
The rechargeable flashlight market has drawn a number of manufacturers not traditionally part of the category, including Conair, First Alert and Windmere. In a recent development, however, Eastman Kodak advised Black & Decker that its innovative 9-volt Kodak lithium battery—which B&D's Lite Years and Just For Me flashlights were designed to work with—does not have the 10-year storage life Kodak had originally claimed for it. The move prompted a market withdrawal for the models, whose advertising was tied to the 10-year life claim.

In general, drug retailers have found they can stock the higher-end lights successfully, while relying on lower-end models for impulse buying and multiple locations. Despite a flatness in sales in some markets, buyers report success with the high end and with low-priced, "personal" squeeze lights and other models.

"We see a lot of trading up," said one buyer. "A customer comes in looking for a low-priced flashlight for a few dollars, and sees the premium models with all their added features. It sparks an impulse buy to the high end, with a higher-ticket purchase."

Although some chains successfully tie flashlight promotions in with events like Halloween, Christmas and Father's Day, everyday promotions don't always do the job, some buyers report. "We've tried promoting every kind of light, from basic low-end models to the higher priced premiums with added features, but nothing seems to have really caught on dramatically because of that," said one buyer on the West Coast. "By and large, sales have been pretty flat."

However, chains that offer home flashlights on endcaps, and a wide selection, seem to fare better. Wellby Super Drug Stores, for instance, successfully carries a broad range of product and homes them in endcaps at the front of the store, along with batteries.



WHY HAVE OVER 600 MANUFACTURERS REGISTERED EARLY FOR NHMA'S MIDYEAR SHOW?

More applications streaming in every day

More than 1,000,000 products on display

Over 400,000 sq. ft. filled with housewares

When you hold a trade show for an industry as diverse as the $31.3 billion Housewares Industry, manufacturers know there's no single time of year that will be absolutely perfect for everyone. So why all the excitement about NHMA's midyear show?

Because manufacturers and buyers alike, all know what *is* perfect—and that's the way NHMA has continually brought the Industry together for nearly 50 years. This July will be no exception. That's why so many companies have registered early—with more and more streaming in every day.

Here is an all-new midyear event filled with new products and new ideas. NHMA members/exhibitors will be displaying more than one million products within 400,000 square feet under one roof. Many of these exhibitors have scheduled product introductions and special promotional activities expressly around this show, so that Housewares buyers and merchandisers can preview new products and fine-tune their merchandising plans for the months ahead.

It truly is a "Customers' Show." And being there means being abreast of the latest Industry ideas, innovations and trends.

So be sure to be on hand. Because this show is the best way to stay at the forefront of the Housewares Industry—hands down.

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NHMA NATIONAL HOUSEWARES MANUFACTURERS ASSOCIATION

College women prefer drug stores for beauty buys

College women today report little brand loyalty among products they generally buy in drug stores, according to a study commissioned by the publishers of *College Woman* magazine.

The good news for drug stores, however, is that most respondents said they are most likely to purchase their beauty products at a drug store, according to Alan Weston Communications, publisher of *College Woman.* Purchases from an on–campus store were relatively infrequent, particularly among seniors and graduate students. This may be due to the fact that these women were more likely to live off campus than freshmen, sophomores and juniors.

Survey showed little brand loyalty among college women buying beauty products.

The reports showed that cosmetics, hair care products and health related products comprise about 15 percent of female students' monthly expenditures. However, more than half of the respondents (57 percent) said they switched brands from those used in high school, and that percentage increased as they got older.

All classes of respondents spent about the same monthly amount on cosmetics, hair care and health products. Most respondents indicated buying various types of cosmetics products two or fewer times per month. No particular brand or fragrance held a dominant share of the market.

Purchases from an on-campus store were relatively infrequent.

Average monthly expenditures* of college women

(N = 595 respondents)

Groceries	$48
Clothing	47
Long distance phone	31
Cosmetics	11
Health-related products	11
Hair care products	10

*This represents total expenditures for only the areas covered in the survey and does not include all areas of expenditures by respondents.

Source: *College Woman* Readership Study, July 1987.

Where students purchase beauty products

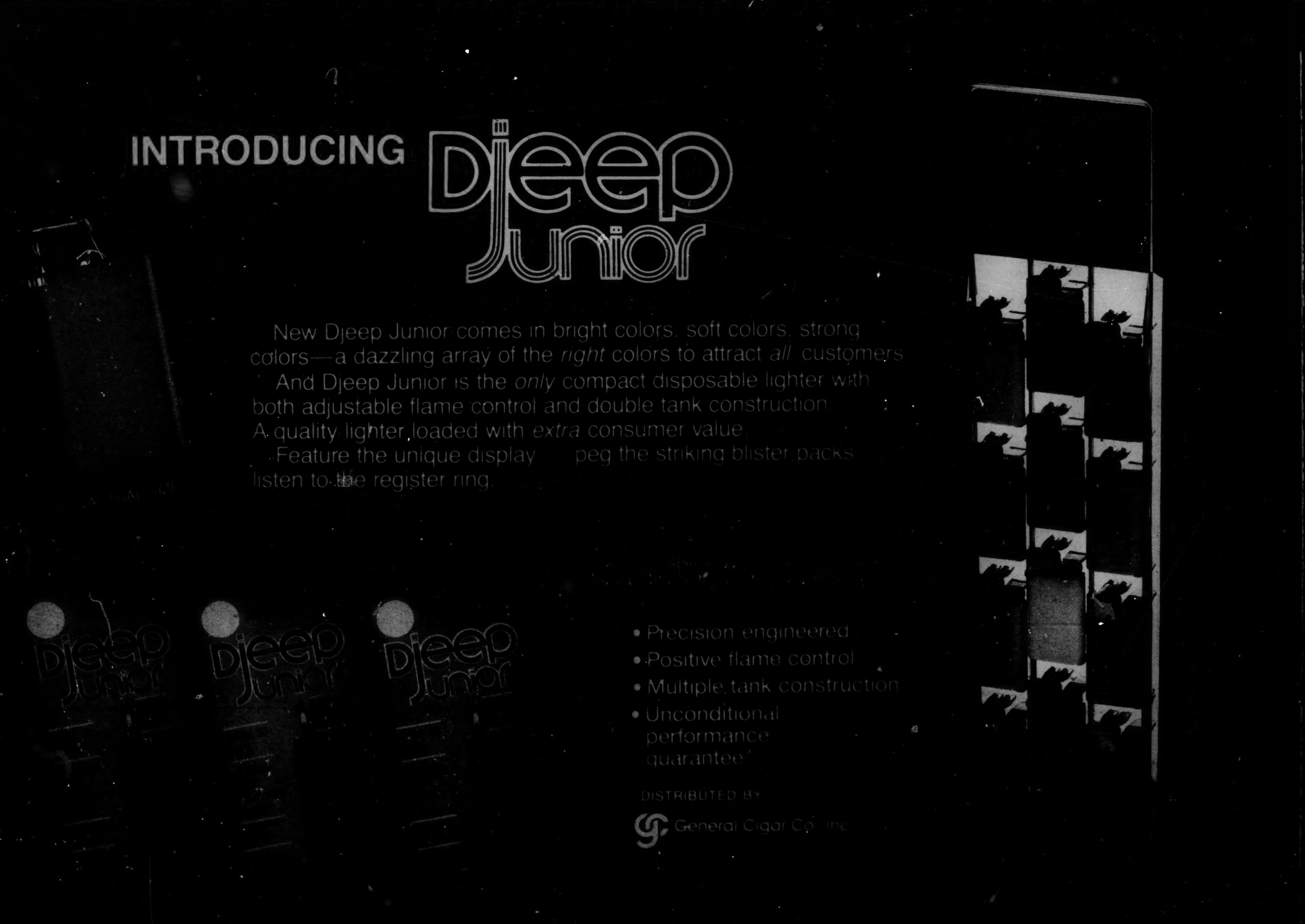
Sample size	Total (595)	Fresh. (168)	Soph. (142)	Jr. (142)	Sr. (98)	Grad (55)
On-campus store	12.1%	13.7%	14.8%	14.5%	9.2%	1.8%
Dept. store	46.7	48.8	43.0	43.5	48.0	56.4
Drug store	60.3	62.5	60.6	65.3	54.1	58.2
Discount store	45.9	39.3	43.0	54.8	46.9	52.7

Source: *College Woman* Readership Study, July 1987.

Monthly purchase of cosmetic products

	0-2 times	3-4 times	5+ times	Mean monthly purchases
Lipstick	93.4%	2.0%	1.7%	1.16
Eye shadow	92.9	2.0	1.8	1.17
Handcream	87.6	7.2	2.4	1.33
Moisturizer	86.1	7.9	2.0	1.33
Fragrance	89.7	4.5	2.9	1.29
Blusher	90.9	3.4	2.4	1.23
Foundation	90.8	3.7	1.3	1.18
Nail polish	83.0	10.6	2.5	1.43
Skin toner	90.3	3.0	1.3	1.17
Cosmetic soap	83.5	10.1	2.5	1.42
Body powder	86.2	6.6	2.9	1.35
Shampoo	77.1	16.6	4.9	1.72

Source: *College Woman* Readership Study, July 1987.



INTRODUCING Djeep Junior

New Djeep Junior comes in bright colors, soft colors, strong colors—a dazzling array of the *right* colors to attract *all* customers.

And Djeep Junior is the *only* compact disposable lighter with both adjustable flame control and double tank construction. A quality lighter loaded with *extra* consumer value.

Feature the unique display . . . peg the striking blister packs . . . listen to the register ring.

- Precision engineered
- Positive flame control
- Multiple tank construction
- Unconditional performance guarantee

DISTRIBUTED BY

General Cigar Co., Inc.

The Top 100 Pharmaceutical Products

Top 100 prescription drugs, ranked by

Prescriptions Dispensed	Dollar Volume	Units Dispensed	Prescriptions Dispensed	Dollar Volume	Units Dispensed
1. DYAZIDE CAPS	ZANTAC TABS 150MG	DYAZIDE CAPS	51. NITROSTAT TABS 0.4MG	DOLOBID TABS 500MG	MINIPRESS CAPS 1G
2. ZANTAC TABS 150MG	DYAZIDE CAPS	AMOXIL SUSP 250MG/5ML	52. AMOXIL CAPS 500MG	TRANSDERM-NITRO 10MG/24HR	PREMARIN TABS 1.25MG
3. TYLENOL W/COD #3 TABS	TAGAMET TABS 300MG	DILANTIN KAPS 100MG	53. THEO-DUR SA TABS 200MG	LOPID CAPS 300MG	SEPTRA SUSP
4. LANOXIN TABS 0.125MG	PROCARDIA CAPS 10MG	PROCARDIA CAPS 10MG	54. MICRO-K CAPS 10MEQ	TOLECTIN-DS TABS 400MG	MOTRIN TABS 600MG
5. TENORMIN TABS 50MG	FELDENE CAPS 20MG	TAGAMET TABS 300MG	55. CARAFATE TABS 1GM	MODURETIC 5/50 TABS	MONISTAT-7 CRM W/APP
6. LANOXIN TABS 0.25MG	TENORMIN TABS 50MG	LANOXIN TABS 0.25MG	56. K-TABS 10MEQ	SLOW-K TABS 600MG	LOPRESSOR TABS 100MG
7. DARVOCET-N 100MG	QUESTRAN POWDER PACKETS	SLOW-K TABS 600MG	57. PREMARIN TABS 1.25MG	NALFON TABS 600MG	FELDENE CAPS 20MG
8. TAGAMET TABS 300MG	CARDIZEM TABS 60MG	LANOXIN TABS 0.125MG	58. TAGAMET TABS 400MG	INDERAL TABS 40MG	DILANTIN-125 SUSP
9. SELDANE TAB 60MG	AMOXIL SUSP 250MG/5ML	AMOXIL SUSP 125MG/5ML	59. ATIVAN TABS 1MG	CECLOR SUSP 250MG/5ML	LOPID CAPS 300MG
10. DILANTIN KAPS 100MG	CAPOTEN TAB 25MG	ZANTAC TABS 150MG	60. MICRO-K CAPS 8MEQ	TRANXENE T-TABS 7.5MG	MOTRIN TABS 800MG
11. PROCARDIA CAPS 10MG	XANAX TABS 0.5MG	TENORMIN TABS 50MG	61. PROVERA TABS 10MG	DURICEF CAPS 500MG	CLINORIL TABS 200MG
12. XANAX TABS 0.5MG	CLINORIL TABS 200MG	CARDIZEM TABS 60MG	62. ENTEX-LA TABS	HALCION TABS 0.25MG	VASOTEC TABS 5MG
13. LASIX TABS 40MG	SELDANE TAB 60MG	CAPOTEN TABS 25MG	63. TRIPHASIL-28	ORTHO-NOVUM 1/35 28	MODURETIC 5/50 TABS
14. SLOW-K TABS 600MG	CECLOR PUL 250MG	CARDIZEM TABS 30MG	64. HALCION TABS 0.5MG	CALAN-SR TABS 240MG	KLOTRIX TABS 10MEQ
15. AMOXIL SUSP 250MG/5ML	NAPROSYN TABS 500MG	XANAX TABS 0.5MG	65. E-MYCIN TABS 333MG	NICORETTE GUM 2MG	ATIVAN TABS 1MG
16. FELDENE CAPS 20MG	DARVOCET-N 100MG	DARVOCET-N 100MG	66. LO/OVRAL-21	MINIPRESS CAPS 2MG	HALCION TABS 0.25MG
17. MAXZIDE TAB	TAGAMET TABS 400MG	LASIX TABS 40MG	67. LOPRESSOR TABS 100MG	MOTRIN TAB 800MG	DIABETA TABS 5MG
18. XANAX TABS 0.25MG	VASOTEC TABS 5MG	PERIDEX ORAL RINSE	68. LASIX TABS 20MG	MINIPRESS CAPS 1MG	ORTHO-NOVUM 7/7/7 28
19. VALIUM TABS 5MG	LOPRESSOR TABS 50MG	LOPRESSOR TABS 50MG	69. LO/OVRAL-28	INDERAL TABS 20MG	MOTRIN TABS 400MG
20. CAPOTEN TAB 25MG	CARDIZEM TABS 30MG	PREMARIN TABS 0.625MG	70. CORGARD TABS 40MG	NAPROSYN TABS 250MG	NAPROSYN TABS 500MG
21. LOPRESSOR TABS 50MG	CARAFATE TABS 1GM	THEO-DUR SA TABS 300MG	71. INDERAL TABS 20MG	LO/OVRAL-21	PERSANTINE TABS 50MG
22. PREMARIN TABS 0.625MG	NAPROSYN TABS 375MG	PEDIAZOLE SUSP	72. TRENTAL TABS 400MG	PROCARDIA CAPS 20MG	DIABINESE TABS 250MG
23. AMOXIL CAPS 250MG	AMOXIL SUSP 125MG/5ML	QUESTRAN POWDER PACKETS	73. MINIPRESS CAPS 1MG	PEPCID TABS 40MG	MINIPRESS CAPS 2MG
24. ORTHO-NOVUM 7/7/7 28	MAXZIDE TAB	TYLENOL W/COD #3 TABS	74. DURICEF CAPS 500MG	MOTRIN TABS 600MG	CALAN TABS 80MG
25. NAPROSYN TABS 375MG	FLEXERIL TABS 10MG	VALIUM TABS 5MG	75. LOTRISONE CREAM	INDERAL LA CAP 80MG	TAGAMET TABS 400MG
26. HALCION TABS 0.25MG	VALIUM TABS 5MG	NITROSTAT TABS 0.4MG	76. MOTRIN TABS 400MG	CLINORIL TABS 150MG	AMOXIL CAPS 250MG
27. PROVENTIL INHALER	DILANTIN KAPS 100MG	XANAX TABS 0.25MG	77. ANAPROX TABS 275MG	LASIX TABS 40MG	E.E.S. 200 LIQ 200MG/5ML
28. CARDIZEM TABS 60MG	KEFLEX PUL 500MG	SELDANE TAB 60MG	78. TAVIST-D TABS	TENORMIN TABS 100MG	HENERGAN VC W/COD SYRUP
29. CECLOR PUL 250MG	PREMARIN TABS 0.625MG	CECLOR SUSP 250MG/5ML	79. PERCOCET TABS	INDOCIN SR 75MG TABS	CORGARD TABS 40MG
30. VENTOLIN INHALER	XANAX TABS 0.25MG	ALDOMET TABS 250MG	80. KEFLEX PUL 500MG	DIABINESE TABS 250MG	THYROID TABS 60MG
31. THEO-DUR SA TABS 300MG	MICRONASE TABS 5MG	ALUPENT SYRUP 10MG/5ML	81. INDERAL TABS 40MG	CORGARD TABS 40MG	SYNTHROID TABS 0.15MG
32. CARDIZEM TABS 30MG	LOPRESSOR TABS 100MG	MICRONASE TABS 5MG	82. INDERAL TABS 10MG	TRIPHASIL-28	FLEXERIL TABS 10MG
33. FLEXERIL TABS 10MG	CAPOTEN TABS 50MG	K-TABS 10MEQ	83. VASOTEC TABS 10MG	VALIUM TABS 10MG	REGLAN TABS 10MG
34. ERYC CAPS 250MG	TIMOPTIC 0.5% OPHTH	INDERAL TABS 20MG	84. ORTHO-NOVUM 1/35 21	TYLENOL W/COD #3 TABS	LASIX TABS 20MG
35. MONISTAT-7 CRM W/APP	ZANTAC TABS 300MG	TUSSI-ORGANIDIN LIQUID	85. DIABINESE TABS 250MG	LOTRISONE CREAM	COUMADIN TABS 5MG
36. AMOXIL SUSP 125MG/5ML	KEFLEX PUL 250MG	MICRO-K CAPS 8MEQ	86. COUMADIN TABS 5MG	DIABETA TABS 5MG	XANAX TABS 1MG
37. VASOTEC TABS 5MG	ORTHO-NOVUM 7/7/7 28	THEO-DUR SA TABS 200MG	87. TRANSDERM-NITRO 5MG/24HR	ZOVIRAX CAPS 200MG	GLUCOTROL TABS 5MG
38. ORTHO-NOVUM 1/35 28	TRANSDERM-NITRO 5MG/24HR	MICRO-K CAPS 10MEQ	88. TRANXENE T-TABS 7.5MG	TAGAMET TABS 800MG	NALDECON PED SYRUP
39. KEFLEX PUL 250MG	VASOTEC TABS 10MG	CARAFATE TABS 1GM	89. FIORINAL W/COD #3 CAPS	SINEMET 25/100 TABS	BACTRIM PED SUS
40. MICRONASE TABS 5MG	ALDOMET TABS 250MG	SYNTHROID TABS 0.1MG	90. NICORETTE GUM 2MG	ANAPROX TABS 275MG	CAPOTEN TABS 50MG
41. MOTRIN TAB 800MG	LANOXIN TABS 0.125MG	TUSSI-ORGANIDIN-DM LIQ	91. PCE TABS 333MG	CAPOTEN TABS 12.5MG	ORTHO-NOVUM 1/35 28
42. NAPROSYN TABS 500MG	ATIVAN TABS 1MG	INDERAL TABS 10MG	92. DIABETA TABS 5MG	MINIPRESS CAPS 5MG	ERYC CAPS 250MG
43. VICODIN TABS	PROVENTIL INHALER	CECLOR SUSP 125MG/5ML	93. INDERAL LA CAPS 80MG	TENORETIC TABS 50MG	TRANXENE T-TABS 7.5MG
44. SYNTHROID TABS 0.1MG	XANAX TABS 1MG	TEGRETOL TABS 200MG	94. CALAN-SR TABS 240MG	THEO-DUR SA TABS 200M	NALFON TABS 600MG
45. MODURETIC 5/50 TABS	TRENTAL TABS 400MG	MAXZIDE TABS	95. NALFON TABS 600MG	CALAN TABS 80MG	CAPOTEN TABS 12.5MG
46. TIMOPTIC 0.5% OPHTH	NOLVADEX TABS 10MG	MICORETTE GUM 2MG	96. CECLOR SUSP 250MG/5ML	AUGMENTIN TABS 250MG	AUGMENTIN SUSP 125MG/5ML
47. CLINORIL TABS 200MG	VENTOLIN INHALER	PHENERGAN W/COD SYRUP	97. TEGRETOL TABS 200MG	ALDORIL-25 TABS	VASOTEC TABS 10MG
48. E.E.S. TABS 400MG	THEO-DUR SA TABS 300MG	NAPROSYN TABS 375MG	98. PEDIAZOLE SUSP	ACCUTANE CAPS 40MG	RYNATAN PED SUSP
49. MOTRIN TABS 600MG	TEGRETOL TABS 200MG	INDERAL TABS 40MG	99. ERYTHROCIN TABS 250MG	K-TABS 10MEQ	CECLOR PUL 250MG
50. ALDOMET TABS 250MG	PREMARIN TABS 1.25MG	TRENTAL TAB 400MG	100. BACTRIM-DS TAB	LO/OVRAL-28	VICODIN TABS

Source: *Drug Store News/Inside Pharmacy* research

Top 25 products ranked by company

(Based on number of Rxs dispensed)

BEECHAM	AMOXIL SUSP 250mg/5ml	15
BEECHAM	AMOXIL CAPS 250mg	23
BURR WELL	LANOXIN TABS 0.124mg	4
BURR WELL	LANOXIN TABS 0.25mg	6
CIBA	SLOW-K TABS 600mg	14
GEIGY	LOPRESSOR TABS 50mg	21
GLAXO	ZANTAC TABS 150MG	2
HOECHST	LASIX TABS 40MG	13
ICI PHARMA	TENORMIN TABS 50MG	5
LEDERLE	MAXZIDE TAB	17
LILLY	DARVOCET-N 100MG	7
MCNEIL	TYLENOL W/COD #3 TABS	3
MERRELL DOW	SELDANE TAB 60MG	9
ORTHO	ORTHO-NOVUM 7/7/7 28	24
PARKE DAVIS	DILANTIN KAPS 100MG	10
PFIZER	PROCARDIA CAPS 10MG	11
PFIZER	FELDENE CAPS 20MG	16
ROCHE	VALIUM TABS 5MG	19
SKF	DYAZIDE CAPS	1
SKF	TAGAMET TABS 300MG	8
SQUIBB	CAPOTEN TAB 25 MG	20
SYNTEX	NAPROSYN TABS 375MG	25
UPJOHN	XANAX TABS 0.5MG	12
UPJOHN	XANAX TABS 0.25MG	18
WYETH-AYERST	PREMARIN TABS 0.625MG	22

Source: Drug Store News/Inside Pharmacy research

Top 25 Rx drugs by therapeutic category

(Based on number of prescriptions dispensed)

Therapeutic class	Product	Rank
Analgesics	TYLENOL W/COD #3 TAB	3
Analgesics	DARVOCET-N 100MG	7
Antiarthritics	FELDENE CAPS 20MG	16
Antiarthritics	NAPROSYN TABS 375MG	25
Antibiotics	AMOXIL SUSP 250MG/5M	15
Antibiotics	AMOXIL CAPS 250MG	23
Antihypertensive/diuretic	DYAZIDE CAPS	1
Antihypertensive/diuretic	LASIX TABS 40MG	13
Antihypertensive/diuretic	MAXZIDE TAB	17
Anti-ulcer/digestive aid	ZANTAC TABS 150MG	2
Anti-ulcer/digestive aid	TAGAMET TABS 300MG	8
Birth Control	ORTHO-NOVUM 7/7/7 28	24
Cardiovascular	LANOXIN TABS 0.125MG	4
Cardiovascular	TENORMIN TABS 50MG	5
Cardiovascular	LANOXIN TABS 0.25MG	6
Cardiovascular	PROCARDIA CAPS 10MG	11
Cardiovascular	CAPOTEN TAB 25MG	20
Cardiovascular	LOPRESSOR TABS 50MG	21
Cough/Cold	SELDANE TAB 60MG	9
Hormone	PREMARIN TABS 0.625M	22
Other	DILANTIN KAPS 100MG	10
Potassium	SLOW-K TABS 600MG	14
Tranquilizers	XANAX TABS 0.5MG	12
Tranquilizers	XANAX TABS 0.25MG	18
Tranquilizers	VALIUM TABS 5MG	19

Source: *Drug Store News*/Inside Pharmacy research

6/7/88

C5150-2

Chains keep pace as film sales zoom
— Trends, page 13

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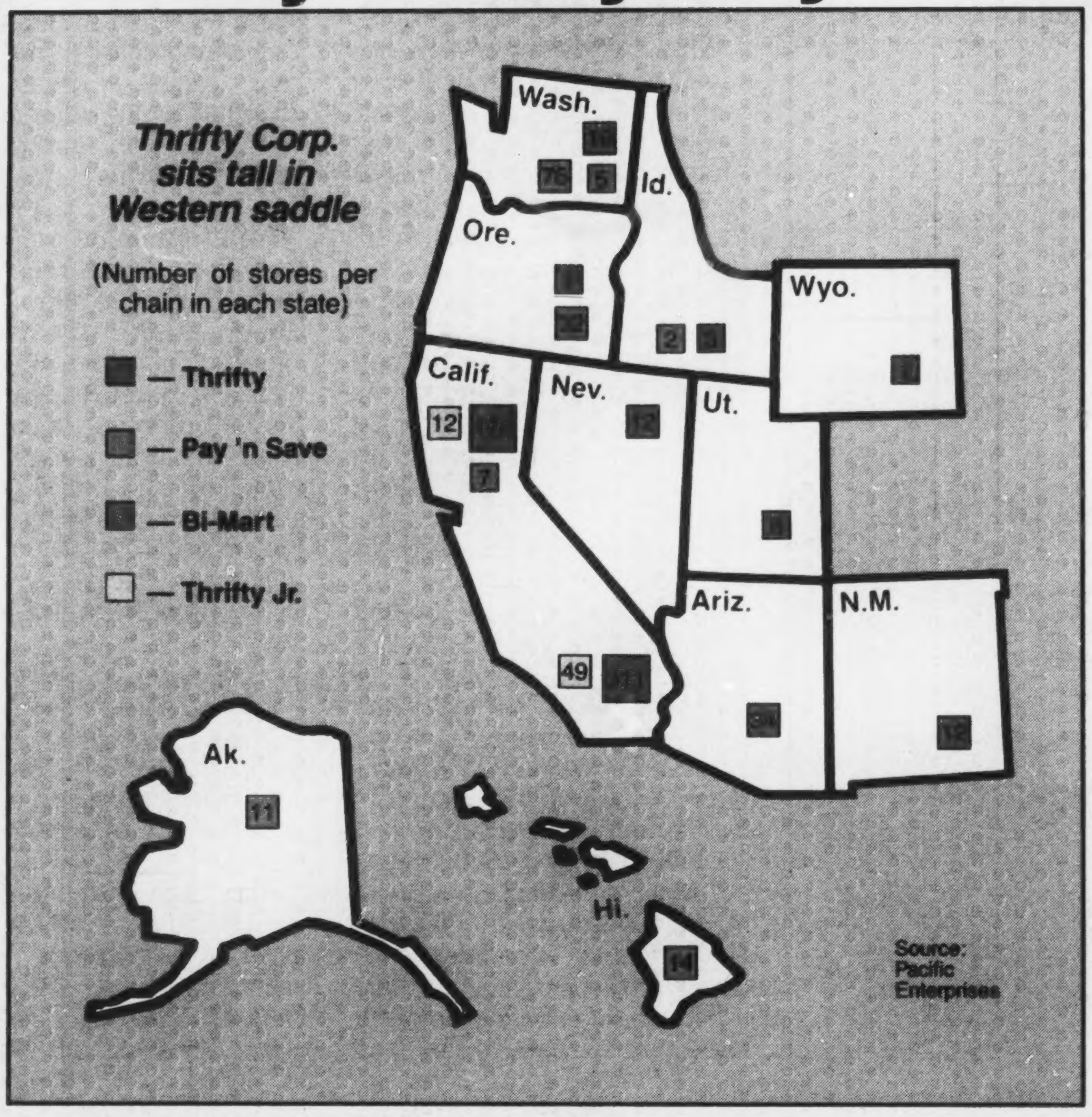
l in N.J.
Pharmacy, page 49

DRUG STORE NEWS®

Vol. 10/No. 12 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. June 6, 1988

Thrifty to buy Pay 'n Save, Bi-Mart



Thrifty Corp. sits tall in Western saddle

(Number of stores per chain in each state)

Source: Pacific Enterprises

By Pamela Krein

LOS ANGELES — Seizing what it sees as an undervalued situation, Thrifty Corp. announced it will acquire Pay 'n Save drug stores and Bi-Mart discount stores from financially-troubled Pay 'n Save Inc., for 5.2 million shares in Thrifty's parent company Pacific Enterprises.

The deal is worth an estimated $232 million and is expected to be completed by mid-July, once store lease agreements are updated and the Federal

See **Thrifty,** *page 54*

Sets productivity plans for two chains

LOS ANGELES — After studying Pay 'n Save for over six months, according to one industry source, Thrifty has already outlined key steps it will take to right the acquired chains:

- With the implementation of an extensive management information system now almost completely behind it, Thrifty will pass on this acquired expertise to Pay 'n Save and Bi-Mart. The system will affect product movement, point-of-sale,

See **Productivity,** *page 54*

Ira Shain
Plans retirement

Buyer groups talk marriage

Associated and Affiliated's principals plan to negotiate

By Al Heller

NEW YORK — The boards of the chain drug industry's two top membership buying groups—Associated Chain Drug Stores and Affiliated Drug Stores—have agreed to talk merger.

Associated president Ira Shain and Affiliated president Phil Weinstein cited consolidation in the retail drug

See **Marriage,** *page 53*

Dick Scott leaves Longs to head Osco's Western group

OAK BROOK, Ill. — Longs Drug Stores veteran Dick Scott has resigned from his post as executive vice president to join Osco Drug in the newly created position of chairman, ceo and president of the chain's Western group.

Osco chairman Scott Bergeson confirmed Scott's appointment to *Drug Store News*, but declined to share further details about the creation of the new post or how it affects the present chain of command. Currently, all stores report to president Dick George.

Other sources revealed that Scott's position is part of a chainwide reorganization, which won't be fully completed until next year. Scott has already started his new job.

Presumably, Scott will oversee at least the former Sav-on drug stores, located in the Sun Belt, and acquired along with Osco from Jewel Companies by American Stores in 1984.

Scott

George

Since then, American has combined its Skaggs Drug Stores with Sav-on and Osco to create one national drug chain all under the Osco roof. And last year, the parent company gave each of its retailing divisions—Osco, Skaggs Alpha Beta and American Stores—greater individual control by decentralizing the operations.

While this reorganization took place at the corporate level, the Osco stores attempted to shore up lackluster sales by fine-tuning its merchandise mix to better emphasize core drug products and customer convenience.

See related item, page 2

However, according to re-

See **Scott,** *page 53*

LATE NEWS

- CINCINNATI — Philip Beekman, chairman and ceo of Hook-SupeRx, Inc., announced the promotions of three key executives to presidential posts at respective divisions: Gary Hendren at SupeRx, Newell Hall at Hook, and Gayl Doster at Brooks. All previously held executive vp and chief operations officer positions.
- EL MONTE, Calif. — Vons Companies will debut its first television commercials for its Hispanic-oriented Tianguis stores this summer. The Spanish language commercials will run in conjunction with the opening of the third Tianguis store in Cuidahy, Calif.
- TWINSBURG, Ohio — Sidney Dworkin, 66, former chairman of Revco D.S., was appointed chairman of General Computer Corp., which develops computer systems for pharmacies and medical offices. Dworkin has been a director of General Computer since 1986 and owns about 22 percent of its common shares.

Drug Emporium files public stock offer to raise $20M

COLUMBUS, Ohio — Drug Emporium, the nation's largest deep discount drug chain, is looking to go public.

It filed for an initial public offering of 1.5 million shares of its common stock at a price estimated at $13 to $15 per share, worth between $19.5 million and $22.5 million, with the Securities and Exchange Commission May 19. Up to 400,000 of the 1.5 million shares are to be offered by "selling stockholders," according to the prospectus.

Net proceeds from the proposed offering will be used to repay a portion of its bank debt—

See **Drug Emporium,** *page 53*

Liberty Drug eyes 29 Detroit Revcos

Four-unit chain building around former Perry execs

By David Vaczek

DETROIT — A three-year old drug chain with four drug stores, Liberty Drug, is negotiating to buy Revco's 29 stores here, sources confirmed.

Liberty's parent company, Bismack Enterprises, has assembled a top management team around four former Perry Drug executives, as it positions for rapid growth, president Jeffrey Bismack told *Drug Store News.*

"We believe we have a unique approach,

See **Liberty,** *page 4*

NEWS IN BRIEF

Lucky accepts American Stores' offer

DUBLIN, Calif. — Lucky Stores ended its efforts to remain independent by agreeing May 20 to a $65-per-share, or $2.5 billion, sweetened offer from American Stores.

American Stores' Alpha Beta stores are expected to be converted to the Lucky logo and low-price strategy, and American Stores has said it intends to put Lucky's management in charge of the combined operations, which will have headquarters here. "Lucky, with the combination of Alpha Beta, will become the largest supermarket chain in California, with nearly $8 billion in sales and more than 550 stores," said Lucky's chairman and ceo, John M. Lillie.

Under the agreement, American Stores, which plans to move its headquarters from Salt Lake City to Irvine, Calif., in July, continued its tender offer for all Lucky shares. Lucky's board terminated its April 28 merger agreement with Gibbons, Green, van Amerongen for $61-per-share.

Revco D.S. amends revolving credit line

TWINSBURG, Ohio — Revco D.S. has amended the terms of its revolving credit facility with its banks to give the company more flexibility in managing cash flow.

Revco's direct borrowings under the $112 million revolving credit facility had been limited to $60 million. With the amended facility, the company's direct borrowings are limited only by the outstanding amount of letters of credit.

"These new terms provide us greater access to the funds available under our credit facility and demonstrate our bankers' support for Revco's financial objectives," said William P. Holmes, Revco cfo. "This will assist us until we implement the capital restructuring plan that we are developing with Drexel Burnham Lambert."

Dart Drug extends securities offer

LANDOVER, Md. — Dart Drug Stores, which on April 13 initiated an offering of $6 million of securities, consisting of units of common stock and performance options, extended the expiration date for the rights offering to stockholders until 5 p.m. May 27. The results of the offering were not available at press time.

Amfac negotiates health division sale

HONOLULU — Amfac Inc. is negotiating definitive terms of sale of Amfac Health Care, the company's pharmaceutical distribution division, for about $120 million to a newly formed entity backed by a financial institution.

The new entity will be led by the current management of Amfac Health Care, including division president Melburn G. Whitmire. Under the proposed agreement, the financial institution will provide a $150 million revolving credit facility and will acquire a 45 percent equity position in the new entity for $10 million. Amfac Inc. will also purchase a 45 percent equity interest for $10 million, and the new company's management will hold an initial 10 percent equity interest.

Ketchum Distributors Inc. joins IDWG

CHICAGO — Ketchum Distributors Inc., based in Clark, N.J., has joined Independent Drug Wholesalers Group (IDWG), bringing the number of independent drug wholesalers in IDWG's group to 50.

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Vol. 10, No. 12 June 6, 1988

Longs adds new flexibility to store format approach

By Pamela Krein

WALNUT CREEK, Calif. — Longs Drug Stores will continue to emphasize market flexibility in store openings throughout the rest of 1988, said president Bob Long.

Speaking at the chain's annual shareholders meeting here last month, Long said the limited availability of 25,000-square-foot sites—which is Longs' average size—and the increased presence of combos has forced Longs to seek alternative ways to grow.

"Today's varied marketplace calls for a diversity of retail applications," Long said.

The 231-store chain has shown the course it will take earlier this spring. In March, Longs opened its first Longs Pharmacy in a downtown mall in San Diego. The store is 12,000 square feet, with 9,704 square feet of selling space—less than half the chain's usual size. While the chain said the store was not a prototype, Longs executives did admit the concept could provide the chain with a platform from which to launch a small-store format.

Later this year, Longs will open a 17,000-square-foot store in Davis, Calif., which will play to the market by including this area's agricultural background in the store's decor.

Long said in all the drug chain will open 12 to 15 stores this year, with five of these sites already operating. Except for one in Hawaii, the chain's growth will be in California, the chain's largest market.

Long said market adaptability, along with better customer service, strong pharmacy sales, expense and inventory controls, and a realignment of stores were important factors in Longs' fiscal 1988 performance. During the year, Long said the chain produced average sales per store of $7.8 million, and sales per square foot of selling space of $444.

Continuing its strong performance, Long released the chain's first quarter results at the meeting, which showed Longs achieved a 20 percent increase in net income and a 7 percent increase in sales. The gains brought Longs' net income to $13.3 million on sales of $450 million for the quarter ended April 28.

For the fiscal year overall, $41 million in capital expenditures will go toward new stores and remodels, Long said. This compares with $50,000 per store the chain spent last year on remodeling, excluding the money spent to renovate 12 acquired Osco stores.

As updating continues, Longs is also looking to improve select areas of operations, such as inventory management. Long said an inventory management system introduced last year in some stores "accelerates inventory turns and reduces inventory levels, while eliminating out of stock situations."

Long said once all stores adapt this inventory system the chain could add $20 million dollars in working capital.

At the same time, Long said the company is studying the "possibility of more coordinated purchasing that could result in improved cost of goods." While the study is due to be completed in May of next year, the move would not result in a drastic departure from the company's decentralization theme. Instead, it would supply an alternative buying source for store managers and provide some savings in purchasing costs.

Maxidrug's 4th deep-discount unit bows

EAST SPRINGFIELD, Mass. — Maxidrug opened its fourth deep-discount store here May 18, in "the most active retail area of Springfield," said Michel Coutu, president of the U.S. offshoot of the Jean Coutu Group based in Quebec.

The 15,000-square-foot (selling) store, situated amid "lots of malls, retailers, restaurants and food stores," was at one time a theater, and its high ceilings allow for 7-foot-tall gondolas throughout.

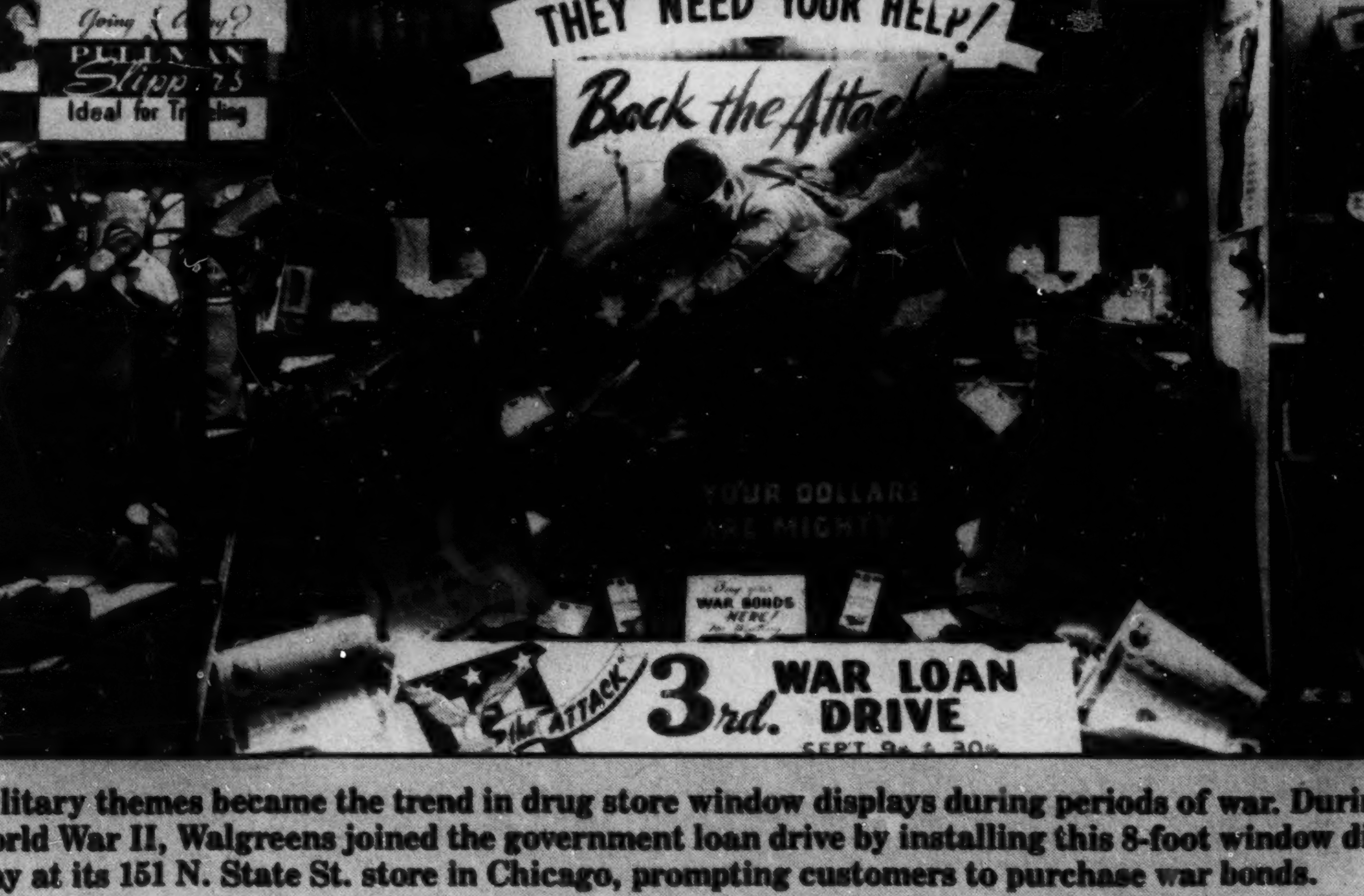
The store's size and mix are similar to Maxidrug's third unit, opened last fall in Pittsfield, with a heavy emphasis on sundries. Pharmacy gains impact here in its location by the entrance.

Maxidrug touted the opening with billboards, radio spots and a newspaper insert featuring such specials as 2-liter Coca-Cola at 77 cents, Lay's potato chips at 66 cents and three rolls of Marcal paper towels for 88 cents. Makeup artists were on hand for the launch, which also featured prizes including trips, VCRs and bicycles.

The chain, representing the parent company's $10 million expansion into Massachusetts, has developed a family of cartoonlike characters to build recognition with shoppers and underline its "fun store" image: Big Max, the original character, has been joined by Mama Max and three little shoppers, who appear on fliers and signs.

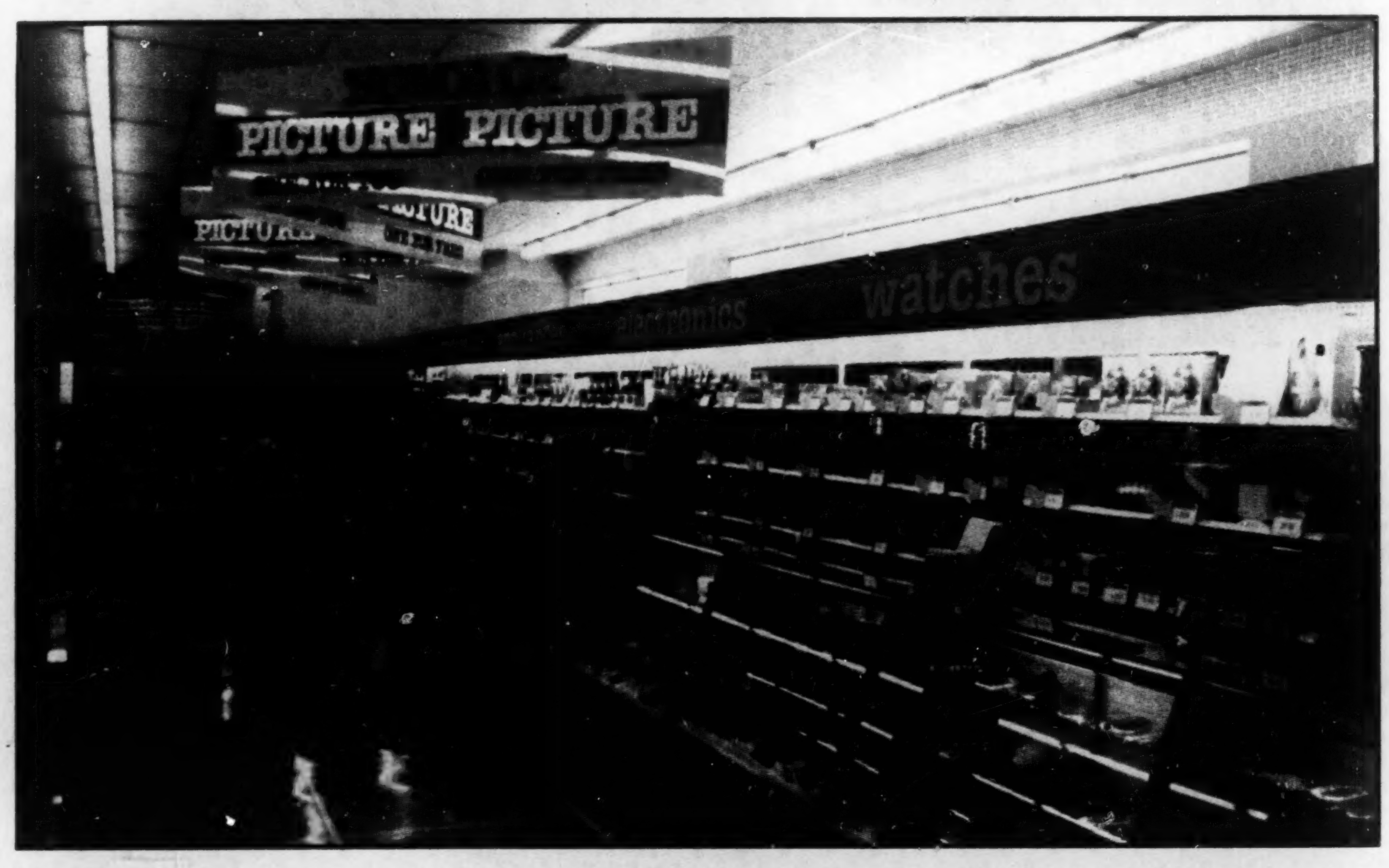
The Jean Coutu Group is also opening new stores: one opened in Laval West (Quebec) May 5, and three others are scheduled to open this month and the next, in Lachute and Gaspe, Quebec, and in Hawkesbury, Ontario. The Canadian chain's total store count will be 141 by mid-July.

Sixty years of drug store retailing



Military themes became the trend in drug store window displays during periods of war. During World War II, Walgreens joined the government loan drive by installing this 8-foot window display at its 151 N. State St. store in Chicago, prompting customers to purchase war bonds.

Film exposed to healthy sales hike in '87; chains hold pace



Photofinishing is a strong traffic producer and image enhancer. Overhead sign at Arbor Drugs promotes the service in prominently located photo/consumer electronics service counter at front of store.

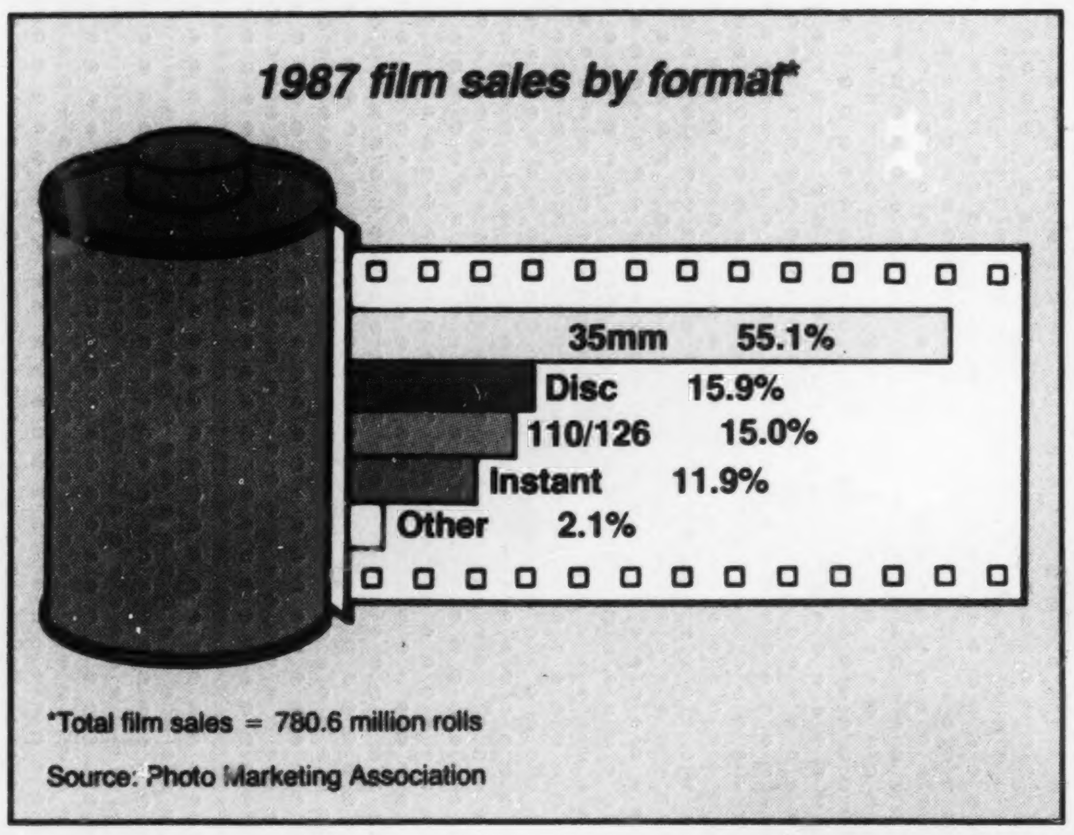
Driven by the amateur photography boom in 35mm and an upswing in sales of promotional multipacks, film sales grew a robust 13 percent in unit volume last year, to more than 780 million rolls. And despite the fact that discount stores remain way out in front in the battle for film sales, drug stores retained a strong second place in market share through aggressive marketing, an already powerful photofinishing franchise and their willingness to position film in key locations within stores.

Rix Dunnington in the Boston area exemplifies the aggressive approach drug chains take to film merchandising. "We give film and batteries a massive presentation behind the checkout counter," said Steve Sorkin, vp-merchandising.

"In most cases, we don't carry an item if we can't save our customers money on it," added the president of a deep-discount drug store operation on the West Coast. "We make an exception for film, however, because it ties in so well with photofinishing and we do a lot of that."

Mass merchandisers captured a dominant 44 percent of film sales in 1987, according to the Photo Marketing Association. Drug stores remained in second place, with 24 percent, outpacing supermarkets with 15 percent and cameras stores, which held a 5 percent share of total sales.

1987 film sales by format*



*Total film sales = 780.6 million rolls

Source: Photo Marketing Association

Much of last year's sales growth came through the surge in multipack sales, the PMA noted in its recently released report on photo industry sales. Between 1986 and 1987, multipack sales jumped more than 50 percent. According to Eastman Kodak, multipacks now represent 20 percent of all film sales.

The real driving force in the film market, however, continues to be the boom in sales of point-and-shoot 35mm cameras, 7 million of which were sold in 1987, according to the PMA. The growth in popularity of the 35mm format is clearly seen in the PMA's breakdown of photo processing exposure volume by film format, which gives 69.2 percent of the business in 1987 to the 35mm segment, compared with 12.4 percent in 1975.

PHOTO ELECTRONICS
PHOTO SERVICES

Crown Drugs uses photo/electronics counter as an opportunity to display related general merchandise.

Bill Prezzano, group vp and general manager for Kodak, estimates that 35mm and 110 film sales grew at a pace "in the upper teens" last year, outpacing the industry's growth average and offsetting "modest declines" in disc and "more significant declines" in 126 film sales.

Major film manufacturers have not been slow to respond. Beginning in May, Kodak began rolling out Kodacolor "Gold," a new 35mm color print film in new gold and black packaging to replace its highly successful VR-G line. The Gold line offers "absolute product equivalence" and uniformity of developing standards, a spokesman said, as opposed to the VR-G film, whose specifications varied slightly in different world markets.

The gold theme also ties in with Kodak's position as the official film of the 1988 Olympics.

Kodak launched its biggest ad campaign to date May 25 to support the launch of Kodacolor Gold.

Not to be outdone, Fuji Photo Film has unveiled its own new generation of color print film, called Fujicolor Super HR. The film is designed to ensure sharp, high-quality color prints by responding selectively to different light sources to keep color gradation consistent, richer and more faithful to the original subject. The film is also designed for longer shelf life and greater stability and processing.

The real driving force in the film market continues to be the boom in sales of point-and-shoot 35mm cameras, 7 million of which were sold in 1987.

Private label film is also becoming an increasingly important segment of the film market for many drug chains, which are attracted to the high gross margins and image-building that house-brand film can confer on a store. One recent convert is Thrifty Corp., which has joined Hook Drugs, Osco, Rite Aid, K mart and other chains with its own film label.

Thrifty began testing private label film last year to boost margins and increase its photofinishing business with the draw of a lower-priced film. To maintain consistent quality with finished prints, the chain uses 3M as its supplier, and touts 3M in its in-store radio ads as a quality, U.S.-made product.

Thrifty's private label film sports eye-catching, colorful pegboard packaging, and is positioned in choice locations within the store for maximum visibility. Heavy promotional support from the retailer also gives it a boost, as do Thrifty's efforts to get its own store clerks behind the product. The chain currently offers six different film types, including 35mm, 110 and disc, and prices it nearly $1 per roll below national brands.

Arbor Drug in Michigan is also a strong supporter of its house brand film, giving it space at or near checkstands at the front of the store on a regular basis, according to chain spokesman Tom Ross.

Drug chains join in on the mini-lab game

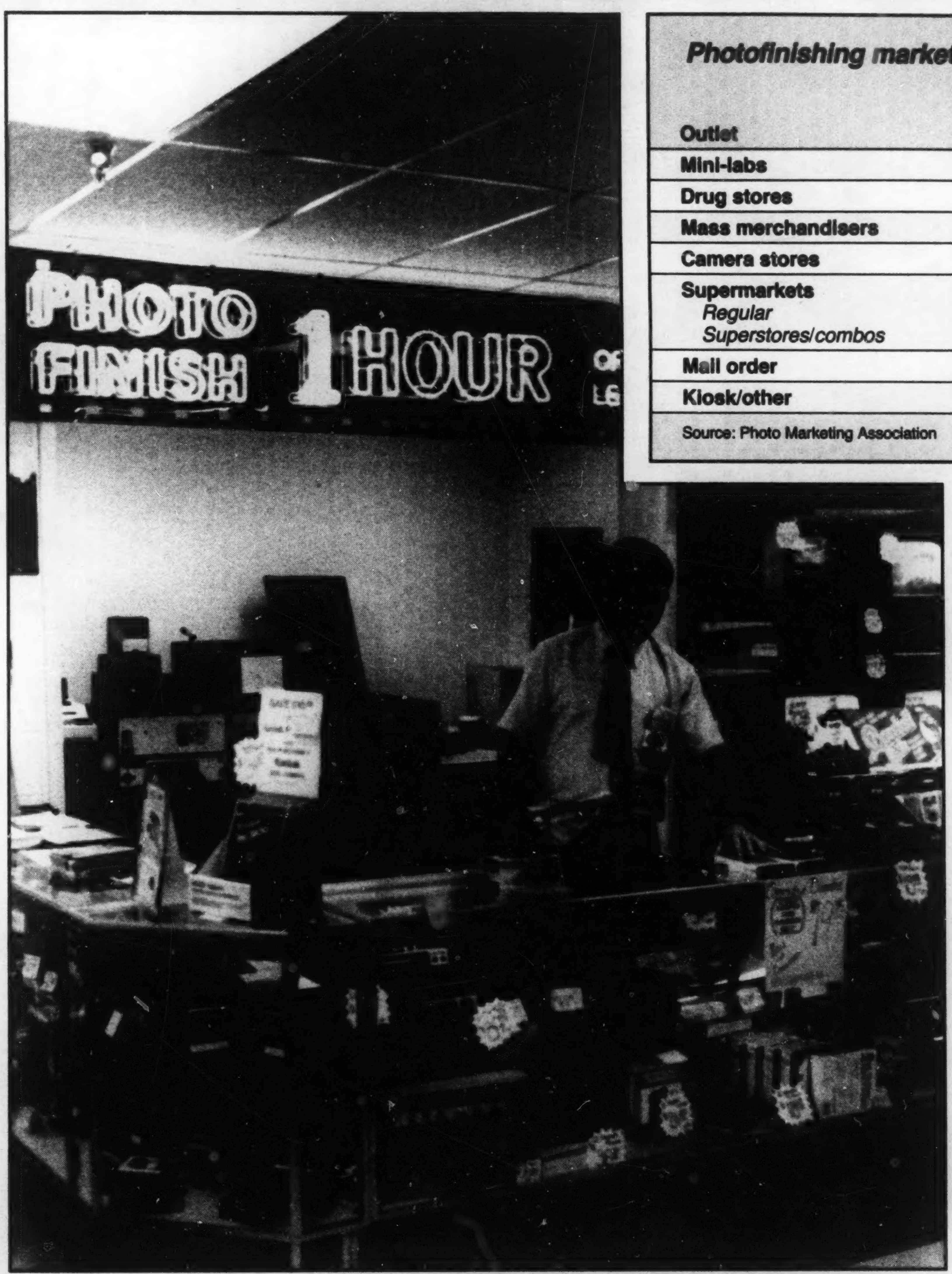


PHOTO FINISH
1 HOUR

Missouri's Consumers Markets offers one-hour photofinishing to shopping customers.

Photofinishing market share by outlet, 1987

Outlet	Market share (in dollars)	Market share (in units)
Mini-labs	38.6%	29%
Drug stores	20.1	23
Mass merchandisers	14.4	17
Camera stores	9.6	7
Supermarkets		
Regular	4.6	7
Superstores/combos	4.5	6
Mail order	5.9	9
Kiosk/other	2.3	2

Source: Photo Marketing Association

Mini-labs now control nearly 30 percent of all photo processing roll volume in the United States, but the threat they represent to the traditional drug store photofinishing business is somewhat mitigated by the fact that the mini-lab business itself is being adopted by retailers. In short, some drug, discount and supermarket chains are adopting the old adage: If you can't beat 'em, join 'em.

"The mini-lab segment is going through a transitional stage from the era when stand-alone operations dominated, to one where close to half of all mini-lab exposures will come from labs located in specialty outlets and mass merchandiser retail establishments," noted the Photo Marketing Association in its 1987 Industry Trends Report.

> *"Unlike their larger-format mass merchandise brethren, drug stores must 'shoehorn' in their product offerings."*

Mass merchandise discounters and supermarkets, which have larger retail footprints to devote to experimental projects like in-store labs, are leading the way. K mart, Zayre, Safeway, Publix and Kroger are all involved in on-site one-hour processing to one degree or another. Drug chains, paced by Jack Eckerd with its scores of mini-labs in Florida stores, are nevertheless trying to stay abreast of the trend, and many are giving in-store labs a second look—often out of necessity.

"We decided several years ago that they weren't worth it, but we're rethinking that decision based on the way the market's going and the improvements in one-hour processing equipment," said one chain drug photo merchandiser.

In its report, the PMA noted: "Unlike their larger format mass merchandise brethren, drug stores must 'shoehorn' in their product offerings. Consequently, decisions to expand product and service offerings—such as on-site processing—become pitched battles between department buyers."

Chain drug merchandisers couldn't have said it better themselves.

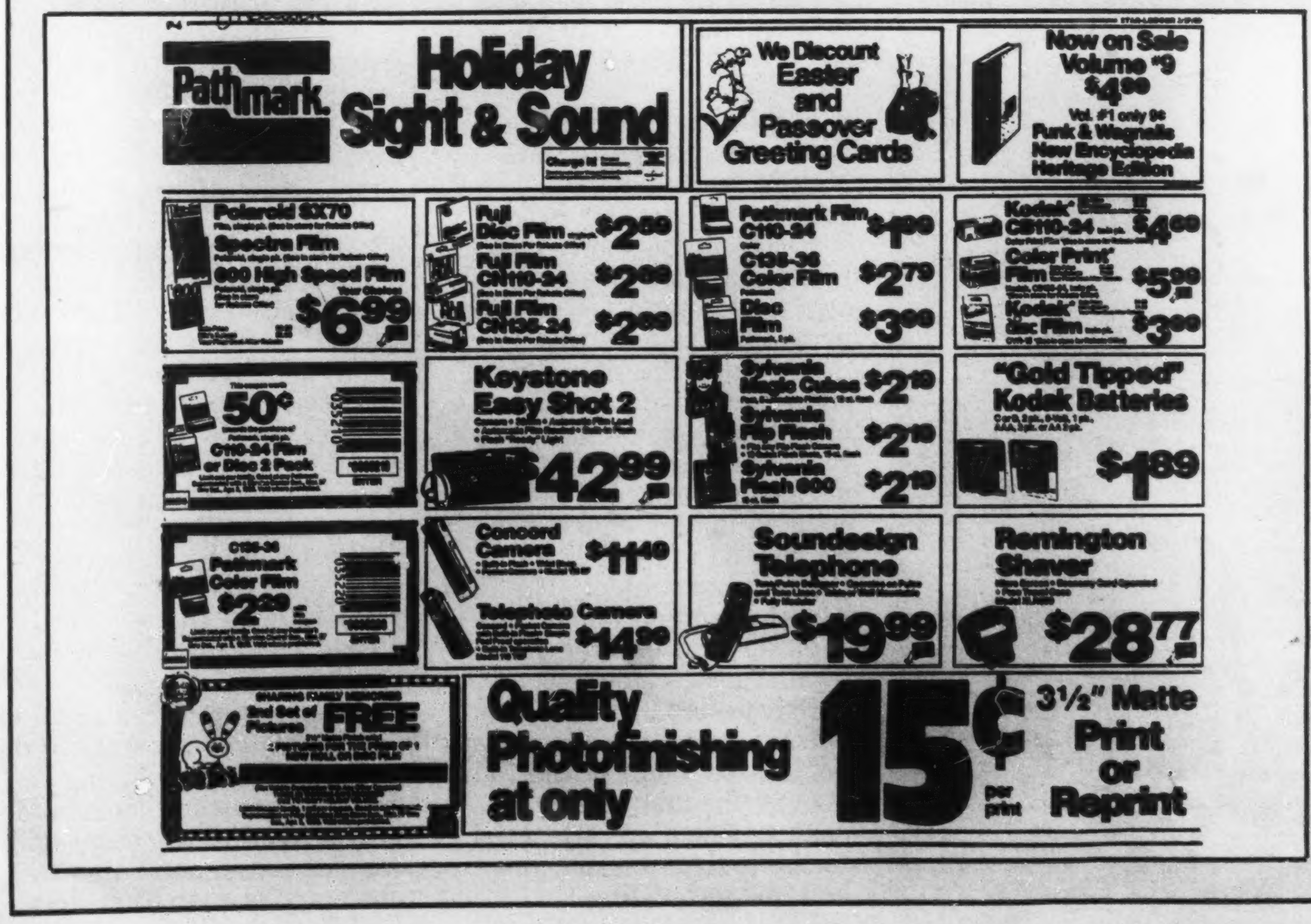
"Ironically, drug stores—which traditionally have been one of the photo processing industry's strongest channels—will most likely be one of the slowest mass merchandise channels to expand into on-site processing," the report continues. "The rationale behind this statement is as follows: A number of drug store chains, most notably Jack Eckerd, Osco, Hook and Genovese, have already vertically integrated their photo processing services."

In addition, says the PMA, drug chains are constrained in their enthusiasm by the short visit time of average shoppers and the fact that photography represents a relatively low share of total drug store sales. Then too, space constraints have forced many drug chains to adopt direct product profitability models to stringently evaluate every product and service in the store.

"When overhead costs are fully allocated, mini-lab operations may fall short of targets under DPP," the report concludes.

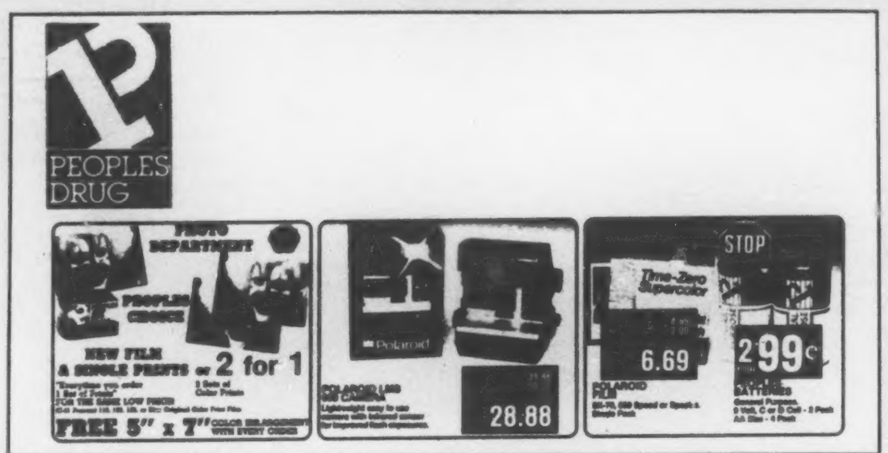
Nevertheless, chains which draw a greater-than-average portion of their sales and market image from their photofinishing operations—chains like Walgreens, Eckerd, London Drugs, Arbor and Longs Drug Stores—are either already in the on-site processing business or seriously contemplating an entry. Then too, the

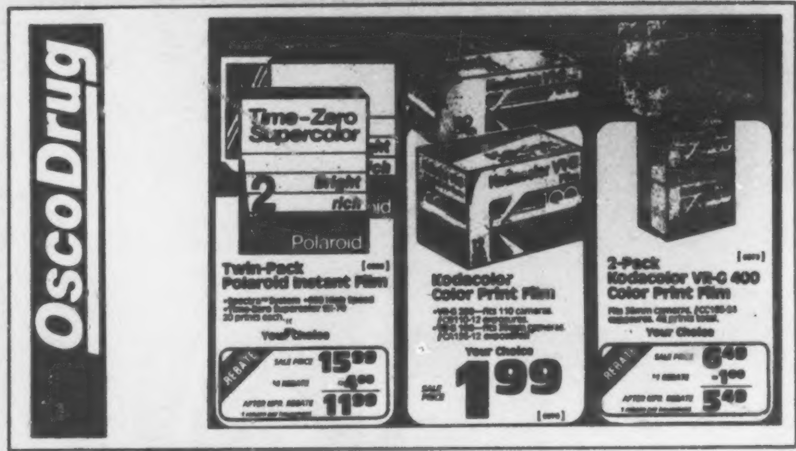
Continued on page 16


Pathmark.
Holiday Sight & Sound
We Discount Easter and Passover Greeting Cards
Now on Sale Volume #9 $4.99
Vol. #1 only 9¢
Funk & Wagnalls New Encyclopedia Heritage Edition
Polaroid SX70
Spectra Film
600 High Speed Film
$6.99
Fuji Disc Film $2.69
Fuji Film CN110-24 $2.69
Fuji Film CN135-24 $2.69
Pathmark Film C110-24 $1.99
C135-36 Color Film $2.79
Disc Film $3.99
Kodak C110-24 $4.09
Color Print Film $5.99
Kodak Disc Film $3.99
50¢
C110-24 Film or Disc 2 Pack
Keystone Easy Shot 2
$42.99
Sylvania Magic Cubes $2.19
Sylvania Flip Flash $2.19
Sylvania Flash 600 $2.19
"Gold Tipped" Kodak Batteries
$1.89
C135-36 Pathmark Color Film
$2.29
Concord Camera $11.49
Telephoto Camera $14.99
Soundesign Telephone
$19.99
Remington Shaver
$28.77
2nd Set of Pictures FREE
Quality Photofinishing at only
15¢ per print
3½" Matte Print or Reprint

When Pathmark advertised photo for the spring holiday season, it covered many product segments, photofinishing and selected electronics. Instant, disc, 110 and 35mm films, cameras, flashes and batteries were represented at price points up to $42.99. The superstore chain used coupons to promote private label film and developing services.

Drug chains' photo product ad strategies


PEOPLES DRUG
PHOTO DEPARTMENT
PEOPLES CHOICE
NEW FILM & SINGLE PRINTS or 2 for 1
FREE 5" x 7" COLOR ENLARGEMENT WITH EVERY ORDER
Polaroid
28.88
STOP
Time-Zero Supercolor
6.69
2 99¢


OscoDrug
Time-Zero Supercolor
Polaroid
Twin-Pack Polaroid Instant Film
Kodacolor Color Print Film
2-Pack Kodacolor VR-G 400 Color Print Film
Your Choice
REBATE
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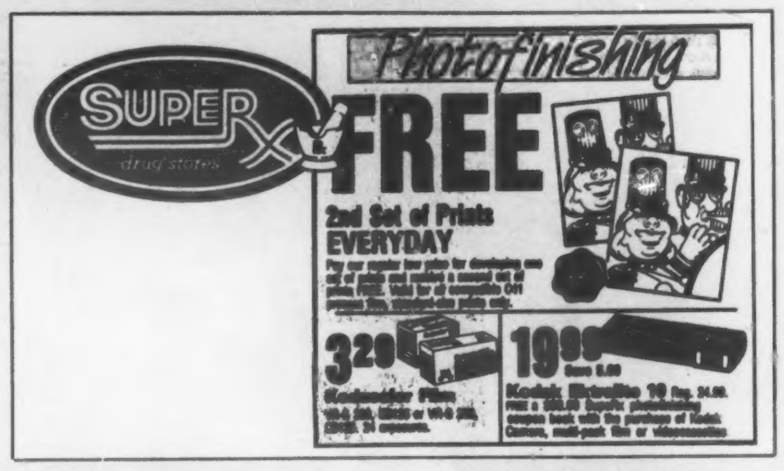
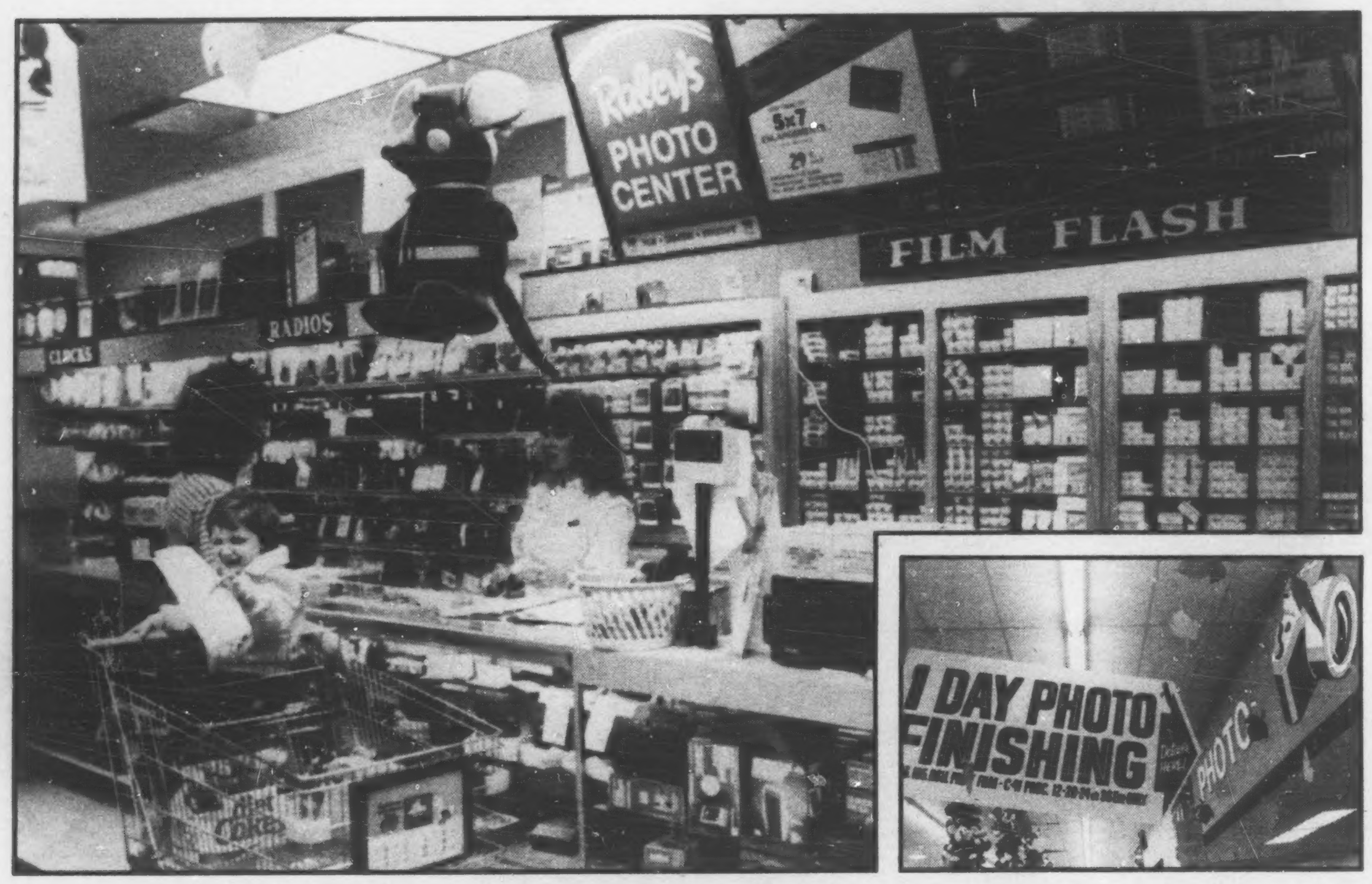
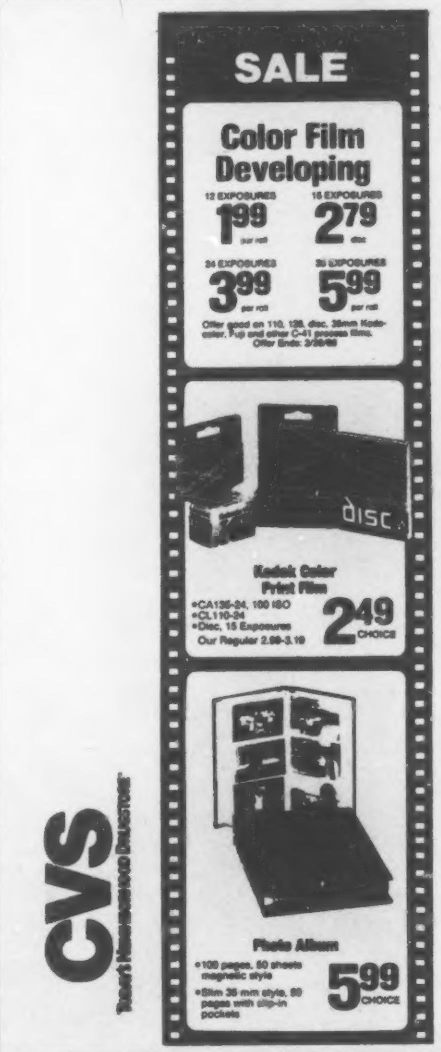
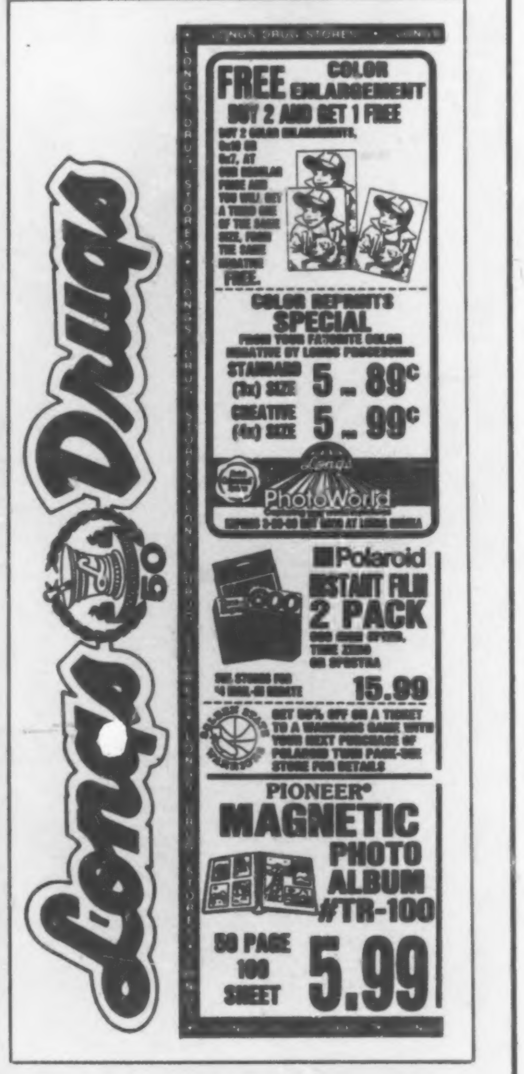
-4.00
11.99
1.99
6.49
-1.00
5.49


SUPER X drug stores
Photofinishing
FREE
2nd Set of Prints
EVERYDAY
3.29
Kodacolor Film
19.99
Save 5.00
Kodak Ektralite 10


Raley's
PHOTO CENTER
5x7
FILM FLASH
RADIOS
CLOCKS
1 DAY PHOTO FINISHING
PHOTO
diet Coke

Ceiling signage draws traffic into the photo department in this Woodland, Calif., Raley's.


SALE
Color Film Developing
12 EXPOSURES 1.99 per roll
15 EXPOSURES 2.79 disc
24 EXPOSURES 3.99 per roll
36 EXPOSURES 5.99 per roll
Offer good on 110, 126, disc, 35mm Kodacolor, Fuji and other C-41 process films. Offer Ends: 3/26/88
disc
Kodak Color Print Film
•CA135-24, 100 ISO
•CL110-24
•Disc, 15 Exposures
Our Regular 2.89-3.19
2.49 CHOICE
Photo Album
•100 pages, 50 sheets magnetic style
•Slim 35 mm style, 50 pages with slip-in pockets
5.99 CHOICE
CVS


Longs Drugs
LONGS DRUG STORES
FREE COLOR ENLARGEMENT
BUY 2 AND GET 1 FREE
FREE.
COLOR REPRINTS SPECIAL
STANDARD (3x) SIZE 5 for 89¢
CREATIVE (4x) SIZE 5 for 99¢
Longs PhotoWorld
Polaroid
INSTANT FILM 2 PACK
15.99
PIONEER®
MAGNETIC PHOTO ALBUM #TR-100
50 PAGE 100 SHEET
5.99

Chains board the mini-lab bandwagon

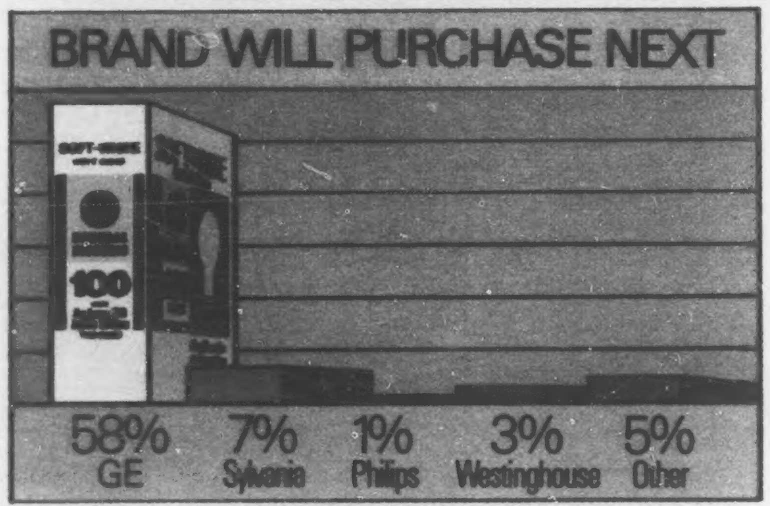
Continued from page 14

PMA notes, "Mass merchandisers who offer on-site processing point out the service's strengths in drawing a higher-profile clientele and increased cross-merchandising potential—strengths not easily quantifiable under DPP."

Drug chains seeking to expand their range of photofinishing services with one-hour, on-site labs or other means may also be encouraged by the continuing growth of the whole photo market. Amateur shutterbugs clicked off more than 15 billion exposures in 1987, nearly 70 percent of which were 35mm and 13.3 billion of which were color negatives.

The increasing inroads of supermarkets in photoprocessing may also be an impetus for drug retailers to up their own efforts. Many food retailers have added full-scale photo service centers to at least some of their stores, and one, King Soopers in Denver, has become the first supermarket chain to set up its own processing plant. Others, including Safeway and Publix, are installing in-store labs in some units.

GE IS THE LIGHT YOUR CUSTOMERS PREFER 8 TO 1.*



*Based on a comparison of highest mentioned competitive brand of light bulbs. Don't know-non-preferred—26%. Conway/Milliken Research-1987.

GE Lighting

DuraQuiz

Q. What two colors do your customers associate with premium batteries?

a. Red and gold
b. White and black
c. Black and copper

A. (c) The hot battery colors are black and copper, according to a survey....the colors of Duracell premium batteries.

DURACELL

A Division of Duracell Inc., Bethel, Connecticut 06801

MORE THICK
MORE QUICK
MORE STICK

THE DURO™ DIFFERENCE

- Faster turns
- Higher repeat sales
- Greater profits per square foot

DURO QUICK GEL™
NO-RUN SUPER GLUE
With M.T.S.™ Additive

There's no other Super Glue like it!

Loctite Corporation
Automotive and Consumer Group
Cleveland, Ohio 44128

DURO
QUICK GEL
NO-RUN SUPER GLUE
M.T.S.

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WHERE THE BEST COMES TO LIGHT™

SYLVANIA
Long Life White
100
4 Soft White Bulbs
60
Energy Pincher 100
Reflector Flood
3WAY

SYLVANIA GTE

Compact Counter Display Pack
(12s) takes only 2½'' of shelf space

HERPECIN-L®

Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

VIDEO
VIDEO Center

Ample variety, competitive prices and a display area that allows for comfortable browsing help build tape rental business at Raley's, Woodland, Calif.

Chains' experimentation spurs profits for prerecorded videos

Prerecorded videotapes have continued to inspire experimentation among drug chains, which are testing the relative values of renting vs. buying inventory, pricing philosophies, and what level of assortments are needed.

With their multiple locations and quick shopping slant, drug chains, as well as supermarkets, convenience stores and mass merchandisers, have gained successes in prerecorded tapes, as a highly-fragmented retail market undergoes a shakeout and consolidation.

"Mom and Pop" specialty stores and smaller specialty chains—their profitability battered as tape prices head down—are being absorbed by the larger ones.

Specialty stores accounted for 50 percent of prerecorded videotape unit shipments in 1987. Drug stores accounted for 2 percent, according to EBM Market Research estimates.

Rite Aid's home video business has continued to grow. More than half the chain, or 1,013 stores now have video departments, with about 1,000 titles per store, and new departments will be rolled out "at a measured pace," a spokesman said.

Chains including Genovese and Richardson's Pharmacy, in Ann Arbor, Mich., have recently followed Rite Aid's lead in owning videotape inventory.

Genovese purchased inventory for 50 stores, and rolled out a program of selling prerecorded tapes last month. Each store carries 47 titles, said buyer Lenny Genovese.

"With the prices of videos coming down, people are starting their own libraries," said Genovese.

Tapes—priced from $4.95 to $29.95—will be in 4-foot racks with self-service Plexiglass doors at a front end location to allow oversight by checkout clerks.

Genovese will discount top titles to compete with outlets that are discounting, such as convenience stores and mass merchandisers, and recover margins on non-promotional stock.

A five-store chain, Richardson's recently bought tape inventory for one store, feeling it could maintain a more current selection than by renting.

"We felt if we have enough good titles, it will be cost efficient," said buyer Jim Decker, who plans to build an initial 175 title stock to 300.

Richardson's had been renting inventory from a video store chain, but felt the titles weren't fresh.

Decker expects the new program to boost profits as well as be a good traffic draw. (Tapes are along 16 feet of wall, with the title covers in 4-foot trays, and the tapes behind the counter.)

Decker felt the better selection would allow his chain to raise prices. Once at $1.99, with 99 cents for the second (matching convenience stores' prices), videos were raised to $2.49 and $1.99 for the second, just under what local specialty stores charge, Decker said.

Despite Richardson's approach, the trend with drug stores has been toward lower pricing, and heavily promotional activity, particularly at Christmas time.

Deep discounters such as Phar-Mor often lead the price charge in their markets. Phar-Mor is known for its 69 cents a night rental price.

Drugs Plus, the first deep discount store opened by Cullum Companies, owner of Page Drugs, recently unveiled an extensive video rental department in Dallas.

It is set in a separate shop, with its own checkout, and quickly accessible through one of two of the stores' front doors. Carrying 6,000 titles, it should rent 4,000 to 5,000 a week at its 93 cents-a-night price, a store official said.

Austin Drugs in Long Island, N. Y. has carved a successful business selling prerecorded videos. Chain sales increased when it began using a rack jobber who provided fresher titles, at $5.99 to $29.99.

"It seems like the more I put in, the more I sell," said buyer Pete Rienzi.

Encountering problems with keeping fresh titles, and meeting competitors' prices, Gresham Drugs of Florida cancelled an experiment in the movie video business. But it has since scored well with prerecorded audiocassettes, particulary at Christmas, said Manny Meneses, buyer.

Gresham will sell though a 180-piece per store inventory of musical recordings, and is studying the possibility of making permanent sections.

Specialty stores still control half the prerecorded videotape market

(percent share, units shipped in 1987)

Type	Share
Video specialty	50
Mass merchants	11
Record stores	9.5
Book stores	9
Convenience/ grocery	7
Direct mail	6.5
Toy stores	3
Drug stores	2
Appliance	2

Source: EBM Market Research estimates, the Photo Marketing Association.

A *Drug Store News* exclusive

Vereen ad tracking

The Vereen Ad Survey tracks 100 percent of the advertising activity for 40 product categories in the top 30 drug store chains.

March: Videotapes

Brand	Model	Advertised price	Chain
BASF	VHS T120	$3.99	Eckerd
BASF	VHS T160	4.99	Eckerd
Certron	VHS 2 pk	5.99	SupeRx
Certron	VHS T120	5.99	SupeRx
Congress	VHS	4.44	Osco
Dyna-tone	VHS	2/5.00	Pay Less
Fuji	Super high grade VHS T120	4.69	Drug Emporium
Fuji	VHS T120	2/7.00	Drug Emporium
Fuji	High quality	3.49	Longs
Fuji	Super HG VHS	4.49	Longs
Fuji	T120 VHS	3.49	Longs
GE	VHS	3.49	Pay Less
Hi-tech	VHS T120	2.59	Dunaway
Kodak	VHS T120	3.49	Drug Emporium
Kodak	Beta/VHS L750/T120	3.49	Hooks
Kodak	Beta/VHS L750/T120	3.49	Osco
Kodak	T120 3 pk	9.98	Phar-Mor
Laster	VHS T120	3.49	Fay's
Maxell	Hi grade VHS T120	4.99	Walgreen's
Maxell	Ex VHS T120	3.97	Revco
Maxell	Beta/VHS L750/T120	5.99	SupeRx
Maxell	Ex VHS T120	3.97	Revco
Maxell	3 pk	11.97	Genovese
Maxell	VHS T120	3.99	Eckerd
Memorex	Hi stand	3.66	Pay Less
Memorex	Pro VHS T120	4.99	SuperD
Memorex	HS/VHS T120	3.99	Peoples
Memorex	HST-120	3.49	Osco
Memorex	VHS	3.49	Osco
Memorex	HST-120	3.49	SavOn
Polaroid	VHS T120	3.37	Thrift
Polaroid	VHS T120	3.99	Snyder
Polaroid	Beta/VHS L750/T120	4.44	Reed
Polaroid	Beta/VHS L750/T120	3.59	SupeRx
Polaroid	VHS T120	2.37	Thrift
Polaroid	VHS T120	3.99	Medicare
Polaroid	VHS T120	3.49	Longs
Polaroid	VHS T120	4.00	Walgreen's
Scotch	VHS T120-3 pk	9.99	Walgreen's
Scotch	VHS T120	3.99	SuperD
Scotch	EG T120-2 pk	6.98	CVS
Scotch	EG VHS T120	2/7.00	Revco
Scotch	T120	5.99	Pathmark
Scotch	Beta/VHS L750/T120	3.49	Brooks
Scotch	Beta L750	3.49	Osco
Scotch	VHS T120	3.49	Osco
Sony	8mm	8.99	Walgreen's
Sony	VHS T120	3.66	Peoples
Sony	Metal mpp 8mm	4.99	Walgreen's
Sony	Beta L750	3.49	Osco
Sony	VHS T120	3.49	Osco
TDK	VHS T120	4.99	Dunaway
TDK	Compact VHS TC20	5.99	Walgreen's
TDK	Hi grade T120	4.99	Longs
TDK	Stand T120	3.99	Longs
TDK	VHS T120	3.99	Walgreen's
TDK	Stand T120	3.99	SupeRx
TDK	VHS T120	3.59	SupeRx
Tozaj	Premium T120	2.99	Walgreen's

Source: Vereen & Associates, Inc.

Manufacturer promotions of branded blank videotapes earn prime countertop display space and drive fast turns at Page Drugs in Dallas.

Convenience aspect is key to drug chains' blank tape sales

Drug chains are making beautiful music with blank audio and videotapes.

With strong branded assortments, and competitive pricing on blank tapes, many chains have become well positioned to lure the convenience-minded shopper.

"The convenience aspect is a key selling feature. People are getting used to buying them everywhere, and the drug store chain is growing quickly as an outlet," said Brad Friedrich, Fuji's director of marketing, magnetic products division.

Some drug chains reported that blank videocassette sales flattened in 1987, paralleling an industry trend of decelerated growth.

Industry sources estimate blank videocassette manufacturers' shipments were up only 5 percent in 1987. This compares with 35-percent growth from 1985 to 1986, and 90-percent growth from 1984 to 1985.

Retail takeaway in 1987 was up 5 to 6 percent.

Sliding sales of table model videocassette recorders contributed to the slowed blank tape growth. After steady sales growth through the 1980s, unit sales declined 2 percent from 1986 to 1987. Industry officials tend to agree the market is approaching saturation with 50 percent household penetration.

Audio tapes, by comparison, saw a growth spurt of 9 to 10 percent in 1987, which was abetted by wider distribution through retail channels, according to one industry source. Several buyers said audio tape sales have been boosted at their chains by a trend of persons using them to tape music off compact disks.

Rite Aid is among chains that have recently experienced some flattening of sales in the blank videocassette category, a spokesperson said.

It carries Scotch, Memorex and Gemini brands in all stores, with TDK and Maxell brands filling out the assortment in some stores.

Tapes are in in-line peg displays. Plus, in Rite Aid's stores with prerecorded videocassette departments, secondary displays of blank tapes are set up near the rental counter.

Gresham Drugs puts tapes in a 4-foot section, with the Maxell, Polaroid and Fuji brands, and a Hi-Tech generic line, which has been quite successful at $2.99 against the brands' $4.99, said buyer Manny Meneses.

"We sell as many generics as branded when we have a sale," with branded at three for $10, and Hi-Tech at two for $5, said Meneses.

Steve Riensi, buyer at Austin, feels he has balanced his assortment of blank videotapes, so as not to carry too many brands and simply trade sales.

Austin includes Kodak and Polaroid because of those names' strong recognition in drug stores. TDK, Scotch and Maxell fill out the assortment.

Audio tapes have been "a real sleeper of an item" whose sales have boomed, corresponding with blank video sales. Austin recently launched permanent in-line sections for audio tapes.

Lenny Genovese at Genovese Drugs said that youngsters using audio tapes to copy music from compact disks is driving strong sales of his selection of Maxell and Scotch tapes, on which he gets 20-percent margins on ad, and 35 percent everyday.

Audio tapes saw a growth spurt of 9 to 10 percent in 1987, abetted by wider distribution through retail channels. Several buyers said sales have been boosted by persons using them to tape music off of compact disks.

A *Drug Store News* exclusive:

Vereen ad tracking

The Vereen Ad Survey tracks 100 percent of the advertising activity for 40 product categories in the top 30 drug store chains.

March: Audio Tapes

Brand	Model	Advertised price	Chain
3M Scotch	BX90 three pack	$3.49	Pay Less
Atitech	3 pack-90 min.	1.49	Eckerd
Avanti	C-90 2 pack	.88	Longs
BASF	LH-Extra 2 pack-60 min.	1.59	Eckerd
Certron	3 pack-60 min 2 pack-90 min.	2/1.29	SupeRx
Dyna-tone	5 pack	1.49	Pay Less
Laser	UHD II-2 pack	2.49	Begley
Laser	C-60 3 pack/C-90 2 pack	2/1.69	Dunaway
Maxell	2 pack-60 min.	1.99	Pay Less
Maxell	2 pack-90 min.	2.29	Pay Less
Maxell	2 UDS II 60/ 2pack-60 min.	3.49	Bartell
Maxell	UR-60 2 pack	1.99	SuperD
Maxell	UR-60/UR-90/3 pk/2 pk	2.99	Walgreen's
Maxell	Low noise UR 60 2 pk/60 min.	1.68	Osco
Maxell	UR90 2 pk	2.59	SuperD
Maxell	Normal bias UR90 2 pk-90 min.	1.88	Osco
Maxell	XL-II/2 pk-90 min.	3.99	Walgreen's
Maxell	XL-II/2 pk-90 min.	4.99	Peoples
Maxell	UDS II 90/10 pk	13.99	Genovese
Maxell	2 pk-90 min.	2.49	Longs
Maxell	Normal bias/2 pk	1.99	Longs
Memorex	2pk-60 min.	2/5.00	Snyder
Memorex	Microcassette/MC-60/2 pk	4.99	Pay Less
Sony	HF-90/2 pk	1.99	Brooks
Sony	3MC-60/3 pk	5.99	Osco
Sony	HF-90/4 pk	5.00	Walgreen's
Sony	HF-60/3 pk	2.37	Osco
Sony	HF-90/2 pk	2.37	Osco
Sony	UX-S 90/2 pk	4.59	Eckerd
TDK	2 pk/3 pk	2.99	Walgreen's
TDK	C-D90/2 pk	2.99	Walgreen's
TDK	High bias SA/60-min.	4.59	Longs
TDK	High bias SA/90-min.	5.59	Longs
TDK	Normal bias D/60-min.	2.29	Longs
TDK	Normal bias D/90-min.	2.89	Longs
TDK	2 pk/60 min.	2.29	Longs
TDK	2 pk/90-min.	2.89	Longs
TDK	SA-90/2 pk	4.00	Walgreen's
Tonemasker	60-min.	3/1.00	Walgreen's

Source: Vereen & Associates, Inc.

VCR sales slow as market matures

(units in millions, dollars in billions)

Year	1984	1985	1986	1987
Units	6.7	10.7	11.8	11.6
Dollars	$2.89	$3.77	$3.89	$3.39

Source: Electronic Industries Association

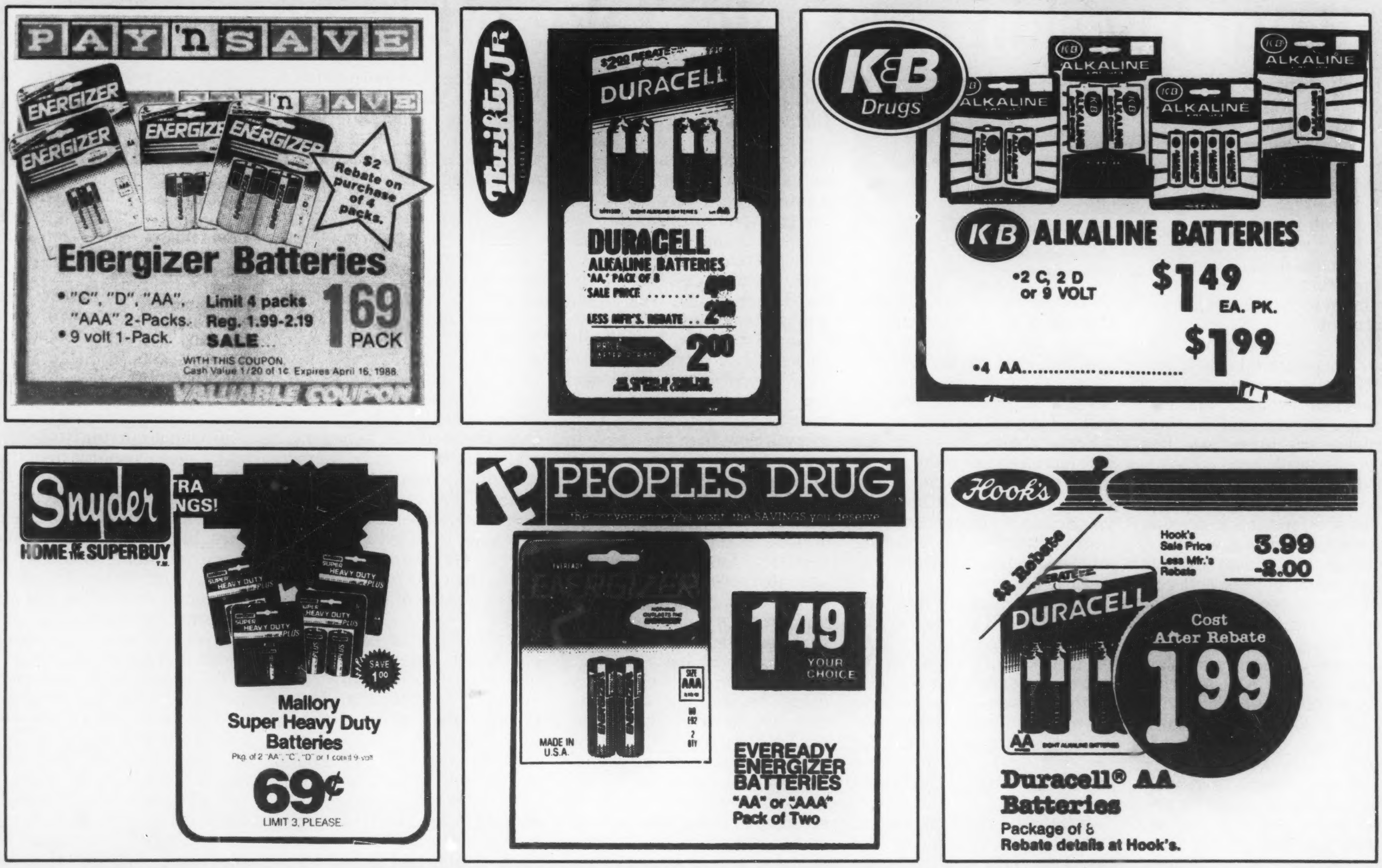
Sales of VHS format blank video cassettes climb

(manufacturers' unit sales in millions)

	1980	1982	1984	1985	1986
VHS	12.8	[illegible]7.4	122.0	231.3	312.7
Beta	6.1	11.2	35.9	42.9	34.1

Source: International Tape/Disc Association and the Photo Marketing Association

Battery advertising strategies of chain drug stores



PAY'n SAVE

Energizer Batteries

- "C", "D", "AA", "AAA" 2-Packs.
- 9 volt 1-Pack.

Limit 4 packs
Reg. 1.99-2.19
SALE... 169 PACK

WITH THIS COUPON.
Cash Value 1/20 of 1¢ Expires April 16, 1988.
VALUABLE COUPON

$2 Rebate on purchase of 4 packs.

Thrifty Jr.

DURACELL
ALKALINE BATTERIES
'AA,' PACK OF 8
SALE PRICE 400
LESS MFR'S. REBATE .. 200
PRICE AFTER REBATE 200

K&B Drugs

K&B ALKALINE BATTERIES

•2 C, 2 D or 9 VOLT $149 EA. PK.
•4 AA............................ $199

Snyder
HOME OF THE SUPERBUY

Mallory Super Heavy Duty Batteries
Pkg. of 2 "AA", "C", "D" or 1 count 9-volt
69¢
LIMIT 3, PLEASE.
SAVE 1.00

PEOPLES DRUG
the convenience you want. the SAVINGS you deserve

149 YOUR CHOICE

EVEREADY ENERGIZER BATTERIES
"AA" or "AAA"
Pack of Two

Hook's

Hook's Sale Price 3.99
Less Mfr.'s Rebate -2.00

Cost After Rebate 1.99

$2 Rebate

Duracell® AA Batteries
Package of 8
Rebate details at Hook's.

Drug chains advertise coupons and in-store rebates for batteries in circular and run-of-press ads, and feature the promotional SKUs on circulars' fronts and backs for best exposure. K&B recently featured its store brand in a one-page "spring sale" ad.

Battery prices in drug chain ads, March '88

Brand	Model	Advertised price	Chain
Duracell	1 pk-9 vt	$1.99	Drug Emporium
Duracell	2 pk-C or D; 1 pk-9 vt	1.89	Dunaway
Duracell	2 pk-9 vt	3.59	Pay Less
Duracell	2 pk-AA, C, D; 1 pk-9 vt	.99	Snyder
Duracell	4 pk-AA	2.29	Peoples
Duracell	4 pk-AAA, AA	1.99	Rite Aid
Duracell	2 pk-AA	1.59	Thrift
Eveready	4 pk-AA	2.49	Thrift
Eveready	4 pk-AA	1.89	Happy Harry
Eveready	4 pk-AA	1.99	Thrifty
Eveready	2 pk-9 vt	.99	Longs
Eveready	2 pk-AA	1.09	Phar-Mor
Eveready	2 pk-C or D; 1 pk-9 vt	1.87	Revco
Eveready	2 pk-C or D; 1 pk-9 vt	1.99	SuperD
Eveready	2 pk-C or D; 1 pk-9 vt	1.59	Bartell
Eveready Energizer	9 vt	1.59	Osco
Eveready Energizer	9 vt	1.79	Medic
Eveready Energizer	4 pk-AA	1.99	Thrifty
Eveready Energizer	4 pk-AA	2.29	Longs
GE rechargeable	2 pk-AA, A, C, D 1 pk-9 vt	4.99	Osco
GE rechargeable	2 pk-AA, C, D 1 pk-9 vt	6.99	Eckerd
Kodak	1 pk-9 vt	3.49	Walgreen's
Kodak	4 pk-AA	2.39	Dunaway
Kodak Supralife	4 pk-AA, AAA	2.00	Walgreen's
Rayovac	8 pk-AA	3.99	Thrifty
Rayovac	6 pk-C, D	3.99	Thrifty
Treasury	1 pk-9 vt	1.29	Thrift
Treasury	4 pk-AA	1.49	Thrift
Treasury	2 pk-AAA	.99	Thrift

Source: Vereen & Associates, Inc.

DURACELL
DURACELL

At Page Drugs in Dallas, Duracell, Energizer and Kodak battery brands are pegged on an endcap to snare impulse sales and appeal to shoppers who prefer different brands.

ENERGIZER ENERGIZER ENERGIZER
Pre
DURACELL
ENERGIZER
KODA

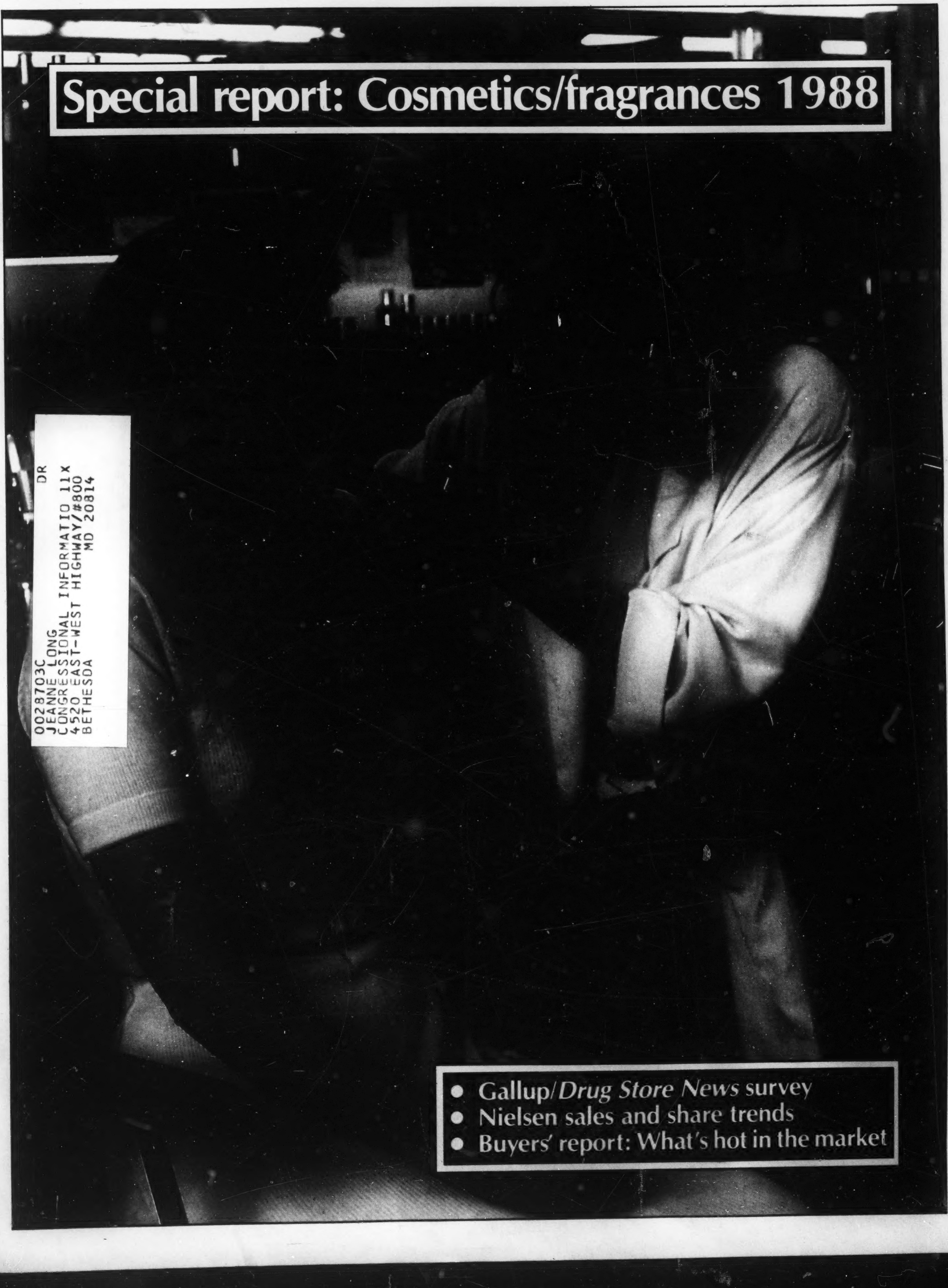
Drug Emporium uses manufacturer displays and point-of-purchase materials to take advantage of name recognition in batteries and flashlights.

6/20/88

C5150-2

DRUG STORE NEWS®

Vol. 10/No. 13 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. June 20, 1988



Special report: Cosmetics/fragrances 1988

- Gallup/*Drug Store News* survey
- Nielsen sales and share trends
- Buyers' report: What's hot in the market

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IP26, IP37, 187, 188

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SAMI/Burke reports what's hot — Page 26

Gladson: keeping customers happy — Page 34

DRUG STORE NEWS®

Vol. 10/No. 13 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. June 20, 1988

Carls DRUGS
WE ARE NOW ACCEPTING APPLICATIONS FOR EMPLOYMENT.
APPLY WITH STORE MANAGER.
PART-TIME POSITIONS AVAILABLE
Equal Opportunity Employer
We Are Now Accepting Applications for the Position of Full-time Receiving Clerk

A Carls Drugs store in Rome, N.Y., displays two window signs announcing job openings, for part-time help and a full-time receiving clerk. Signs such as these are the rule rather than the exception at drug chains in many parts of the country.

The labor crunch

Across the nation, drug chains, especially in areas of low unemployment, are facing a labor shortage problem of major proportions. Where walk-in jobseekers were once plentiful, the response to help-wanted ads and signs in store windows has slowed to a trickle.

Beginning on page 49, *Drug Store News* describes the scope of the problem, some reasons behind it, and how chains are coping, from stepping up traditional recruiting efforts to seeking alternative sources of labor to trying some ingenious new recruiting methods.

Malone & Hyde's drug unit in limbo after Fleming buy

By David Vaczek

MEMPHIS — Fleming Co.'s purchase of Malone & Hyde could spark a leveraged buyout by management of the M&H drug business, industry sources told *Drug Store News*.

A buyout is one possibility, the sources said, as Fleming—which is now the country's largest food wholesaler—was evaluating the M&H businesses it has acquired for $225 million in cash and the assumption of $375 million in debt.

Drug division management possibly would buy the 101

See **Fleming,** *page 8*

SuperD
DRUG STORE
DISCOUNT PRESCRIPTIONS

Will SuperD be spun off in an LBO?

Management-led investor group makes a $330 million bid for Alco

VALLEY FORGE, Pa. — A management-led investor group has made a $26-per-share, or $330.2 million, offer for Alco Health Services, Alco announced.

Kohlberg & Co. organized the group, Cola Acquisition Inc., whose members weren't identified. Alco referred all questions to its lawyers, Schnader, Harrison, Segal and Lewis.

Jeffrey Schulte, a partner in the business department of the law firm, said there has been no filing with the Securities and Exchange Commission yet. He added that the proposal has neither been accepted nor rejected but that there has been some discussion of terms and exploration

See **Alco,** *page 8*

NACDS Marketplace eyes June 19th kickoff in Orlando

ORLANDO, Fla. — Close to 1,200 drug store retailers and suppliers will descend on Marriott's Orlando World Center for the National Association of Chain Drug Stores' Second Annual Marketplace Conference starting Sunday, June 19.

The conference, featuring noted speakers as well as 275 manufacturer's merchandise booths, will run through Wednesday, June 22. Both in numbers of attendees and booths, the conference has experienced sizeable growth since last year's inaugural event. The 1987 show, which marked the first consolidation of the cosmetics and general merchandise conferences, drew 920 attendees and 202 booths.

"We're looking for Marketplace to be a key communications meeting for the association—a meeting that will stimulate the exchange of ideas between retailers and suppliers," said Ron Ziegler, president of NACDS.

Valvano

McLaughlin

Ziegler said the show had attracted a large number of retailers, with almost 80 chains scheduled to be in Orlando. "We're looking for continued growth of the meeting," Ziegler added, "but in a controlled fashion."

The show will kick off on Sunday from 6 p.m. to 7 p.m. with a general business session in the Marriott World Center's Grand Ballroom. The featured speaker will be John McLaughlin, producer and host of the McLaughlin Group, a weekly public affairs program which began airing in 1981. McLaughlin will be speaking on the topic "Conservative Views from Washington."

See program and exhibitors' list on page 31.

The business session will be

See **NACDS,** *page 8*

LATE NEWS

- SALT LAKE CITY — American Stores reported lower net earnings on slightly higher sales in the first quarter ended April 30. Net slid to $27.1 million from $35.0 million in the same year-ago period, on sales of $3.60 billion, which compared with year-earlier sales of $3.45 billion, the company reported.
- TOPEKA, Kansas — The Kansas Pharmacists Association is carefully watching a bill that would *require* an employer to allow an employee to obtain prescription medication from a local pharmacy if the local pharmacy is willing to accept the same reimbursement that the mail order pharmacy receives.
- SAN FRANCISCO — Completing a year-long restructuring, McKesson Corp. said it will sell its New York-based wine and spirits distribution business to SunBelt Beverage Corp., a new company in which McKesson will retain a small share. The business produced about $200 million in sales.

Dart Drug starting anew with store upgrade plan

Fantle seeks to restore profitability of chain

LANDOVER, Md. — Struggling to overcome losses and restore profitability, Dart Drug Stores has begun implementing the strategic business plan formulated by chairman Sheldon "Bud" Fantle since his takeover of the chain late last year.

That plan calls for the upgrading and remerchandising of Dart's existing drug stores, the sale of its remaining combination drug-home center stores, and the opening of eight new stores before the end of the next fiscal year on July 31, 1989. The chain also will install pharmacy computers chainwide within two years, Fantle said, and already has completed the installation of point-of-sale equipment in all drug stores.

Dart soon will unveil its new, standardized prototype of 15,000 square feet. In addition, Fantle is preparing to open at least five drug stores

See **Dart,** *page 190*

In this issue: Inside Pharmacy

- **Fla.'s prescribing law** **IP25**
- **Generic substitution study** **IP17**
- **News Clips** **IP4**
- **Continuing education lesson on AIDS** **IP41**

NEWS IN BRIEF

Cumberland purchases Kane chain

MONTREAL — Cumberland Drugs Ltd. has boosted its store count to 46 with the purchase of Kane's Super Drugmart, a six-unit chain in Montreal. Cumberland will reset the stores under its own banner over the next several months, according to a spokesman.

Imasco sells 6 Pharmaprix Carnavals

MONTREAL — Imasco's Koffler Group subsidiary has sold six Pharmaprix Carnaval deep-discount drug stores to McMahon Essaim, a division of grocery wholesaler Metro-Richilieu Inc. The stores will boost the company's Cloutier drug store chain to a total of 20 units.

The Pharmaprix Carnaval stores were once operated by Imasco's Shoppers Drug Mart division.

Big V adds four units in Ontario

LONDON, Ontario — Big V has upped its store total in Ontario to 98 units with the purchase of four Canada Apothecary stores in its home market.

The chain—one of Canada's three largest drug chains—will reportedly peg sales of approximately $250 million (Canadian) this year, compared with sales of $150 million last year.

NACDS sets pharmaceutical conference

ALEXANDRIA, Va. — Managed health care, electronic claims processing and future technologies are among the issues NACDS members will examine during the association's 31st annual Pharmaceutical Conference scheduled for Aug. 28-31 in San Diego.

To be held at the San Diego Marriott Hotel & Marina, the conference, on the theme, "Accepting the Challenge," will also focus on bar coding and point-of-sale scanning in pharmacies.

Mini-seminars will include such topics as catastrophic illness health insurance and prescription drug coverage, the future of pharmacy technicians, and the impact of an aging population on drug utilization.

NCWA to hold convention in Beantown

BOSTON — The National Candy Wholesalers Association (NCWA) is holding its 43rd national convention and exposition here July 27 through 31. Co-headquarters will be the Sheraton Boston and Mariott Copley Plaza Hotels, with the exposition and registration in the Hynes Convention Center.

The theme Distributor Kaleidoscope will incorporate sessions on selling value-added services, getting more product onto retailer shelves and displays, and the "state of the art" in computers and communications, as well as other topics.

For program or registration information, contact Dottie Russell, director of conventions and meetings, NCWA, 1120 Vermont Ave. NW, Suite 1120, Washington, D.C., 20005, (202) 463-2124.

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Cover shot photographed at Austin Drugs, Long Island, N. Y.

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Vol. 10, No. 13 June 20, 1988

Five 'unique' small chains are new NACDS members

ALEXANDRIA, Va. — Five small chains—each with a unique competitive slant—have joined NACDS, based here. Also, Alco Health Services Corp., the Valley Forge, Pa. drug wholesale company, is one of 20 new associate members.

Buffalo Pharmacies: Buffalo Pharmacies, in Buffalo, N. Y., has successfully pursued the classic small chain strategy of emphasizing the strengths of the traditional corner drug store.

The seven-drug-store-company wants to "fill the niche that the larger chains don't seem to fill," says president Joseph Voelkl, a University of Buffalo pharmacy school graduate. Voelkl opened his first store—Cleve Hill Drug—in 1971.

Employing 135, Buffalo Drugs—"locally-based, locally-grown"—features stores with banking, post office and lotto, and emphasizes services such as delivery, consultation, and special ordering, said Voelkl.

"We want our stores to stand out as a warmer place. Some of our people have been here for 20-some years," Voelkl said.

Aided by Cardinal Distribution's "Leader Drug" advertising and buying program, which provides the "Leader Drug" private label, Buffalo's 1,000 square-foot to 8,000-square-foot stores generated $7 million annual sales last year.

Monahan Pharmacy, Inc: Monahan Pharmacy has stood out in Worcester, Mass. because of its pioneering home health care business, and president Charles F. Monahan Jr.'s high profile on state and national pharmacy issues.

"It helps businesses like mine to be involved. I've found NACDS to be very helpful," says Monahan, who operates five drug stores and a home health care company called Health and Medical Supplies.

Monahan is a 10-year veteran of the state's board of pharmacy.

As executive secretary in his last four years, he often represented industry interests before the state legislature. Having been active on the National Association of Boards of Pharmacy, Monahan is also vice chairman of the board of trustees for the Massachusetts College of Pharmacy, and president of the Boston Druggist's Association, a social club.

Monahan's home health business, which supplies retail stores and hospitals, is the only home health outlet in Worcester County in central Massachusetts that offers I.V. therapy, Monahan said.

The therapy, plus interal and parental feeding, and respiratory therapy are part of Monahan's full-line of home health equipment that distinguishes the 23-year-old company. Registered nurses and other trained therapists are part of a 94-person staff.

Haggen's Inc: Home-grown Haggen's operates an interesting hybrid.

Headquartered in Bellingham, Washington, Haggen's has developed food and pharmacy stores that combine warehouse and conventional store components in spaces as large as 80,000 square feet.

Two of three food stores with the Haggen's name are upscale units with pharmacies and other service departments. It also has four Top Foods stores, including two with pharmacies, says Larry Ziels, vp-sales and marketing.

A typical store—in the 70,000-square-foot to 80,000-square-foot range— will have the pharmacy situated in the center. Eighty-percent of the shelving is conventional style, with the rest warehouse fixtures.

Ziels says Haggen's wants to learn more about the non-food part of its business through the NACDS membership.

Don Haggen, president, and Rich Haggen, executive vp-operations, are steering the growth of the company that was founded by their father, Ben Haggen, in the 1930s.

Posting $150 million in 1987 fiscal year sales, Haggen's stores are mostly in western Washington markets such as Everett and Olympia, where it has recently opened a prototype 80,000-square-foot unit.

Sav-On Drugs, Inc: "We try to offer the service that I think has kept the independent in business, and be price competitive with the chains," says Gerald Katchman, president of Sav-On Drugs, Inc., an eight-store Detroit-area chain.

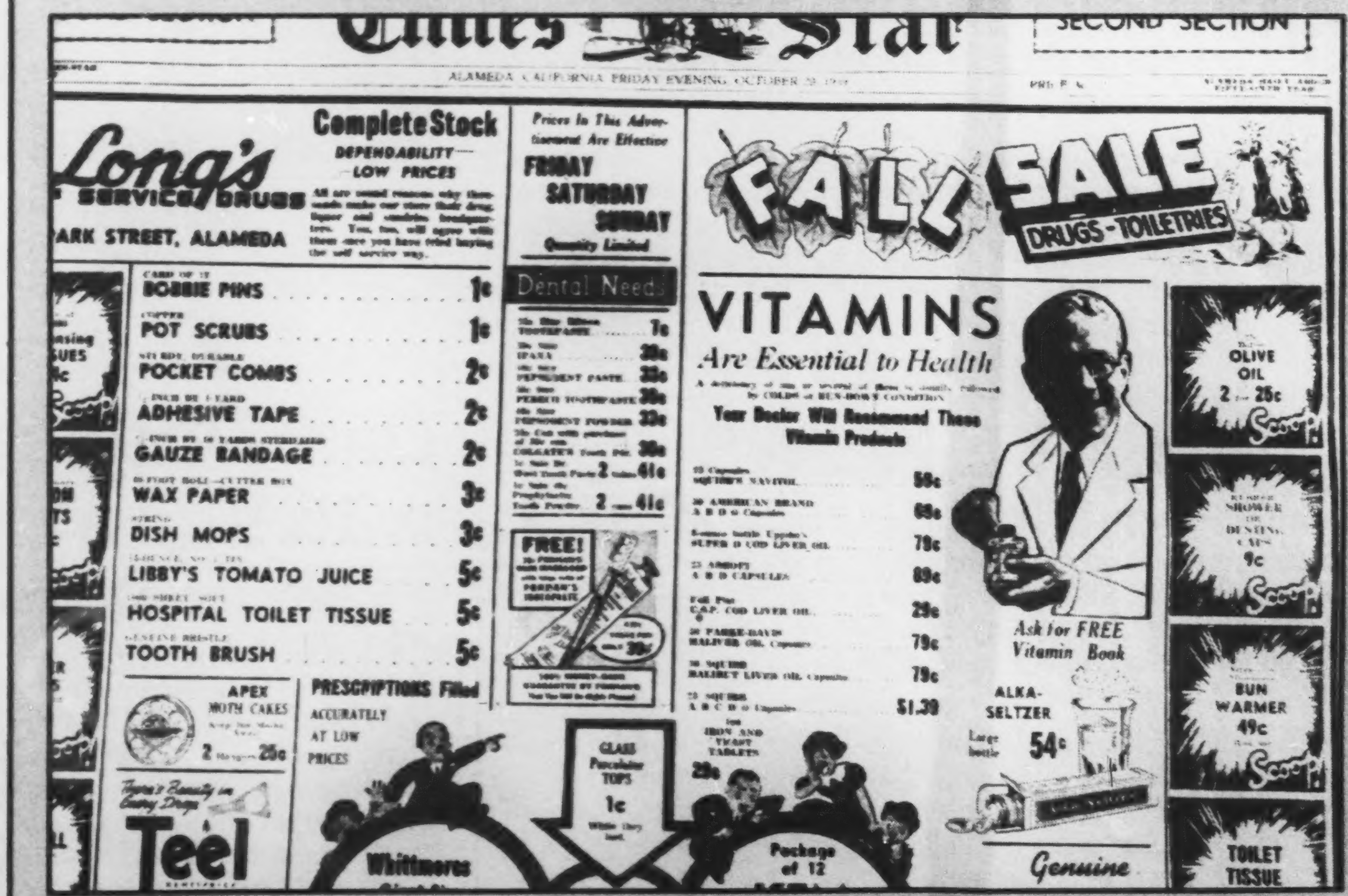
Sav-On was started by Bud Gerson and Barney Yagoda in 1959. When Yagoda retired 11 years ago, Katchman became a partner. Katchman was a pharmacist and then divisional manager with the former Cunningham Drugs.

With stores ranging from 4,700 square feet—such as the first store in Royal Oak—to 13,000 square feet, Sav-On employs 135.

Sid's Get It For Less, Inc.: Sid's became a four-store deep discount chain unto itself last year, when Sidney Dworkin and his son Marc left Revco Drugs. They took with them the Get It For Less deep discount division, and are now making it work from headquarters in Hudson, Ohio.

Marc Dworkin, former executive vp of Revco, is operating Sid's, while his brother and former Revco executive Elliott Dworkin has purchased and is running the Jax's deep discount stores. The Dworkins aren't strangers at NACDS.

Sixty years of drug store retailing



Times Star

SECOND SECTION

ALAMEDA CALIFORNIA FRIDAY EVENING OCTOBER

Long's Self Service Drugs

PARK STREET, ALAMEDA

Complete Stock

DEPENDABILITY — LOW PRICES

Prices In This Advertisement Are Effective

FRIDAY
SATURDAY
SUNDAY

Quantity Limited

BOBBIE PINS . . . 1c
POT SCRUBS . . . 1c
POCKET COMBS . . . 2c
ADHESIVE TAPE . . . 2c
GAUZE BANDAGE . . . 2c
WAX PAPER . . . 3c
DISH MOPS . . . 3c
LIBBY'S TOMATO JUICE . . . 5c
HOSPITAL TOILET TISSUE . . . 5c
TOOTH BRUSH . . . 5c

Dental Needs

FREE!

APEX MOTH CAKES 2 . . . 25c

PRESCRIPTIONS Filled ACCURATELY AT LOW PRICES

Teel

GLASS Percolator TOPS 1c

Whittmores

Package of 12

FALL SALE DRUGS-TOILETRIES

VITAMINS

Are Essential to Health

Your Doctor Will Recommend These Vitamin Products

IRON AND YEAST TABLETS 29c

Ask for FREE Vitamin Book

ALKA-SELTZER Large bottle 54c

Genuine

OLIVE OIL 2 . . . 25c Scoop

SHOWER DUSTING CAPS 9c Scoop

BUN WARMER 49c Scoop

TOILET TISSUE

An advertisement for Longs Self Service Drugs appeared in the *Times Star* of Alameda, Calif., with fall bargains. At the time, in October 1939, vitamins were positioned for sale preceding the cold and flu season, and Longs boasted that "a deficiency of one or several of them is usually followed by colds or run-down condition." A free vitamin book was offered for those customers who requested it.

What's hot and what's not in national drug store H&BA sales movement

(12 weeks ending March 25, 1988 vs. year ago)

WHAT'S HOT

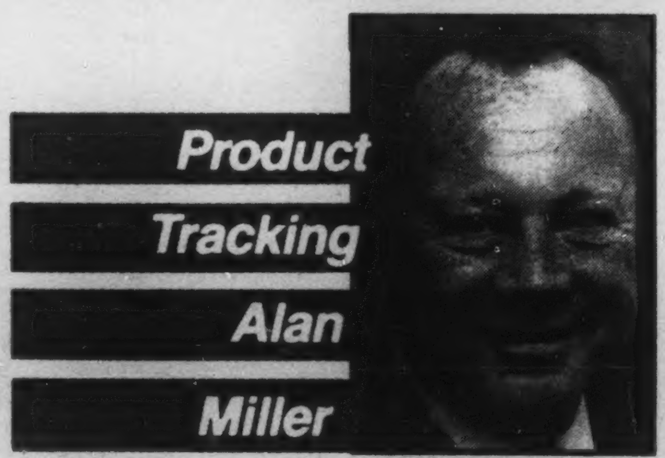
SAMI Product Class	annual Category	Product class 12-week volume (millions)	% gain in dollars
Feminine hyg. Towelettes	Feminine hygiene deodorants	$ 1.7	+112.5%
Super hard to hold pump	Hair spray	20.4	+ 97.3
Hard to hold pump	Hair spray	40.5	+ 63.9
Men's	Hair coloring	19.1	+ 53.9
Special purpose	Hair coloring rinses	23.0	+ 46.5
Special purpose	Shampoo	28.6	+ 45.6
Pacifiers	Nursing supplies	5.8	+ 43.1
Extra soft/gentle	Toothbrushes	2.1	+ 34.2
Children's aspirin	Internal analgesics	4.5	+ 33.4
Super Hard to hold aerosol	Hair spray	44.3	+ 30.8
Granules	Laxatives & stool softeners	20.0	+ 29.7
Sun screens	Suntan lotion/suntan oil	60.6	+ 29.1
Liquid	Feminine douches/washes	12.4	+ 25.2
Baby lotion	Baby oils, cream & lotion	9.2	+ 24.7
Children's nonaspirin	Internal analgesics	75.3	+ 24.1
B Complex	Synthetic vitamins	3.9	+ 23.9
Plastic bottles	Nursing supplies	4.6	+ 19.7
First aid kits	First aid products	2.4	+ 19.5
Dandruff & medicated	Hair conditioning rinses	3.6	+ 18.8
Facial creams	Facial preparations	77.7	+ 18.5
Knitwear	Infant clothes	3.9	+ 17.5
Aspirin	Internal analgesics	67.4	+ 17.3
Powders	Laxative & stool softeners	86.8	+ 17.2
Cologne	After shave lotions	9.0	+ 16.7
Anti-perspirant pump	Spray deodorants	1.6	+ 15.8
Citrate of magnesia	Laxative & stool softeners	5.6	+ 15.4
Deodorant powders	Deodorant & talcum powders	14.4	+ 15.3
Powders	Foot deodorants & athlete's foot remedies	12.9	+ 14.5
Hair sets other than mousse	Hair setting needs	47.7	+ 14.2
Children's liquid	Cold remedies	12.8	+ 14.2
Double process blonding	Hair blonding	32.2	+ 13.0
Child	Toothbrushes	7.7	+ 13.0
Disposable systems	Razor blades	47.8	+ 12.9
Regular floss flavored	Dental aids	6.8	+ 12.7
Arthritic specialties	Internal analgesics	54.5	+ 12.5
Gauze & gauze pads	First aid products	44.5	+ 12.4
Non fluoride	Mouth wash	164.3	+ 12.3
Menstrual remedies	Internal analgesics	17.6	+ 12.1
General cold remedies (liq.)	Cold remedies	114.1	+ 12.0
Unisex	Hair dressing needs	56.7	+ 11.7
Ibuprofen	Internal analgesics	2.2	+ 11.4
Contact lens solution-soft	Eye care products	296.5	+ 11.0
Hard-glass permeable	Eye care products	40.5	+ 11.0
Powder spray	Foot deodorants & athlete's foot remedies	11.2	+ 10.4
Women's	Hair dressing needs	7.4	+ 10.2

WHAT'S NOT

SAMI Product Class	annual Category	Product class 12-week volume (millions)	% gain in dollars
Fruit Fragrance	Shampoo	$ 2.1	-52.1%
B-1	Synthetic vitamins	1.3	−43.5
Ibuprofen menstrual remedies	Internal analgesics	3.8	−40.8
Vinyl	Infant clothes	5.3	−29.3
B-12	Synthetic vitamins	3.3	−25.2
E	Synthetic vitamins	24.1	−24.8
Regular	Roll-on deodorants	2.9	−24.0
Supplements	Natural vitamins, minerals, supplements	38.8	−23.3
Tropical sun	Suntan lotion/Suntan oil	20.4	−21.2
Balsam & protein	Shampoo	18.8	−20.5
Antiperspirant aerosol powder	Spray deodorants	9.1	−19.4
Injector	Razor blades	5.5	−18.8
With corn starch	Baby powders	18.7	−16.7
Aerosol	First aid antiseptics	13.9	−16.3
Tooth gels	Toothpaste & powder	57.5	−15.9
Regular floss-unflavored	Dental aids	11.4	−13.9
Regular aerosol	Hair spray	35.4	−13.1
Regular aerosol	Spray deodorants	18.6	−12.7
Baby	Shampoo	15.8	−12.4
Facial sponges	Facial preparations	10.5	−12.4
Toothpaste-pump	Toothpaste & powder	19.1	−11.7
Children's-tablets/ capsules	Cold remedies	3.5	− 9.9
Body sprays	Spray deodorants	11.4	− 9.1
Balsam & protein	Hair conditioning rinses	18.6	− 8.3
Drops & liquids	Breath fresheners	3.0	− 8.0
Inhalers	Nasal sprays-drops-inhalers	10.3	− 8.0
Premium double edge	Razor blades	11.8	− 8.0
Contact lens solution-reg.	Eye care products	19.8	− 7.7
Adhesive bandages	First aid products	56.7	− 7.4
Hair styling mousse	Hair setting needs	42.5	− 6.2
Denture liners	Denture adhesives	8.8	− 6.1
Hard/firm	Tooth brushes	7.7	− 5.9
Mineral oil	Laxatives & stool softeners	8.1	− 5.7
Nasal drops	Nasal sprays-drops-inhalers	15.4	− 5.6
Natural ingredients	Shampoo	52.6	− 5.6

Source: SAMI/Burke

Product launches feed appetite suppressants' growth



Under the heading "what's hot and what's not," we've identified H&BA product categories and classes that have had major dollar volume changes in drug stores during the 12 weeks ended March 25 vs. the comparable period a year ago. This focus will show some of the major trends now taking place nationally.

Bolstered by the launch of Stay-Trim by Plough and Eat 'N Lose by CCA Industries, the category that showed the highest rate of gain during the study period was appetite suppressants.

Hair sprays, another category that showed continuing strength, was helped by new and roll-out performance, including the completion of national distribution by Salon Selectives and Textra since the year-earlier period.

In the sleeping aids category, the growth brands were Sominex, Sleepinal and Compoz. Pfizer's Equalactin was the only major new entry in the laxatives and stool softeners category. In internal analgesics, growth came largely from *The New England Journal of Medicine* report on aspirin's role in preventing heart attacks. In the mouthwash category, Plax has become a leading brand and Colgate Tartar Control has been launched nationally.

Spurred by the use of soft contact lenses, sales of eye care products have shown dramatic growth, with product volume in drug stores approaching the half-billion-dollar mark. Within the past year, two brands, Ciba Vision and AOSept, have gained national distribution.

As for "what's not", there were only eight H&BA categories whose loss rate exceeded 5 percent. They included both vitamin categories, synthetic and natural. The 13.7-percent decline in the proprietary tranquilizer category does not seem to have as much impact when annual sales of $1.3 million are considered.

In cream deodorants, sales attrition continues as a result of the growth of stick deodorants as the favored product form. Spray deodorants too have been cannibalized by the upsurge of sticks.

A dearth of new product intros has had a negative impact on two product categories in recent years, razors and home permanent kits. In the latter category, the brands that have gained a share include Ogilvie, S-Curl and L'Oréal.

Often a close examination at the product class level yields clues about trends developing in product categories. These examinations can shed light for marketers formulating corporate development programs, particularly for new product planning.

Two H&BA classes with the highest growth rates are found in hair spray category. The growth of hard-to-hold and super-hard-to-hold reflects not only a packaging trend but also changing hair styles. Gains for special purpose shampoos and hair conditioning rinses mirror the segmentation that has gripped the category. The increasing use of cosmetics by men can be seen in the 54-percent growth in men's hair coloring.

Alan Miller is consultant to SAMI/Burke, Inc., and former vp of sales service at Selling Areas Marketing Inc.

Sorting out SAMI nomenclature

The **product department** discussed is health & beauty aids. A **product group** might be proprietary remedies. The next level of measurement is the **product category** such as internal analgesics. A **product class** might be ibuprofen analgesics. A **sub-class** might be extra-strength tablets. Last come **brands** and **items**, for example, Advil 24s.

The Labor CRUNCH:

Drug store execs battle a shortage of quantity and quality in labor pool

By Susan Ball

From Maine to Louisiana, from Atlanta to the West Coast, drug store chain executives are raising a national cry for help.

Wherever they gather, conversation turns to tales of want ads that go wanting; of long hours put in by understaffed store managers; of brainstorming sessions on strategies to find—and keep—somebody to mind the store.

"Warm bodies are becoming very attractive," Tom Rosenthal, president of Richmond, Va.-based Standard Drug, wryly said.

Across the country, the shortage of help has hit drug chains with an Excedrin-size headache. Most say the problem is worst at store level, particularly in part-time help. "Part-time help is drying up," said John Haronian, president of Rhode Island-based Douglas Drug.

A store manager in an affluent northern New Jersey suburb said, "This is a money town, where kids make more allowance than we pay. One kid was working to save for a car; then his dad bought him a new Camaro, so he quit."

Quality workers needed

Even where applicants are plentiful, some note a change in the labor pool: "Quantity isn't the problem; it's the quality," said Roger Baumgarten of K&B in Louisiana, where unemployment is high because of a soft oil industry.

Although chains on the West Coast report the crunch is less severe there, some, such as Pay Less NW and Bartell Drug, are exploring alternatives to the traditional drug store labor pool and forming plans to prepare themselves for problems they see ahead.

Chain execs' only consolation, perhaps, is they're not alone: McDonald's prints employment pitches on placemats; other fast-food operators and department stores bus workers from inner cities to suburban outlets; store windows along many Main Streets are plastered with help wanted signs.

This problem, which has plagued drug stores, supermarkets, fast-food chains and department stores for at least two years, isn't going away. "The situation will get quite a bit worse for the rest of the decade and into the early 1990s," says David Lewin, a professor at Columbia University's Business School, who specializes in labor relations.

He cites three main reasons:

- Demographics: An aging population and a downturn in the 16- to 24-year-old population that is projected to continue into the mid-1990s.
- Recent immigration laws, which, in reducing the number of immigrants in the overall labor supply, will affect retailers.
- Widespread and increased employee screening—polygraph tests, drug tests, AIDS tests—that is selecting out people who would otherwise be in the applicant pool.

Heightened competition

Moreover, overstored areas heighten competition for workers, and the rate of women in the workforce has already reached about 56-57 percent, with the rate of entry slowing down. They are also pursuing professional careers rather than retail work. "There is no such thing as a housewife pool anymore," declared Audrey Freedman, an economist with the Conference Board, a nonprofit economic research firm.

Wherever unemployment is low, the labor shortage is high. In Portland, Maine, the unemployment rate in December was 1.8 percent; in Atlanta, 4.4 percent; in Washington, D.C., 2.9 percent; in Anaheim and Santa Ana, Calif., 2.5 percent; in San Francisco, 3 percent; and in Harrisburg, Pa., 2.8 percent. That's contrasted with Flint, Mich.'s 14 percent; Houma,

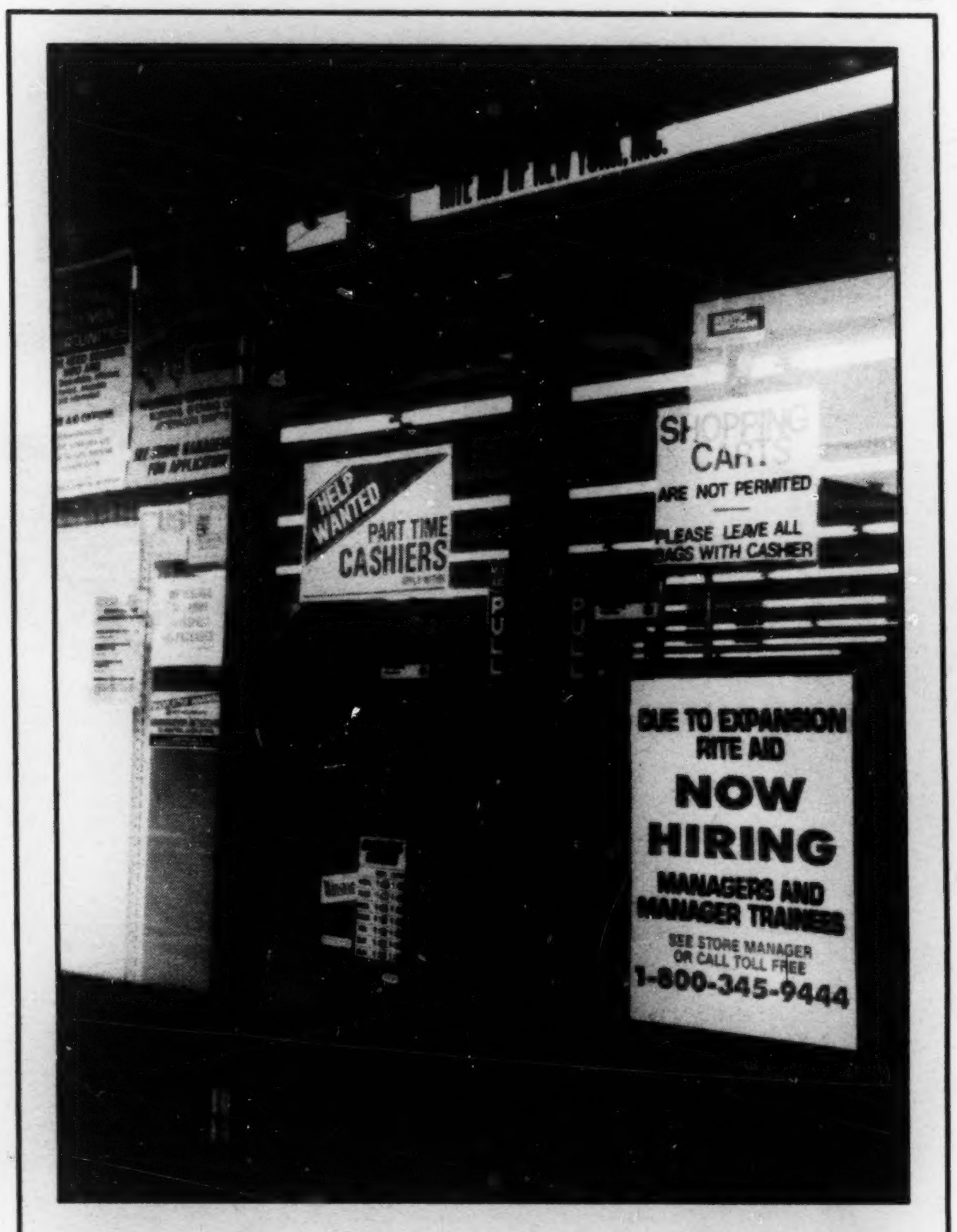
Continued on page 187

Minimum wages if different from national minimum wage ($3.35)

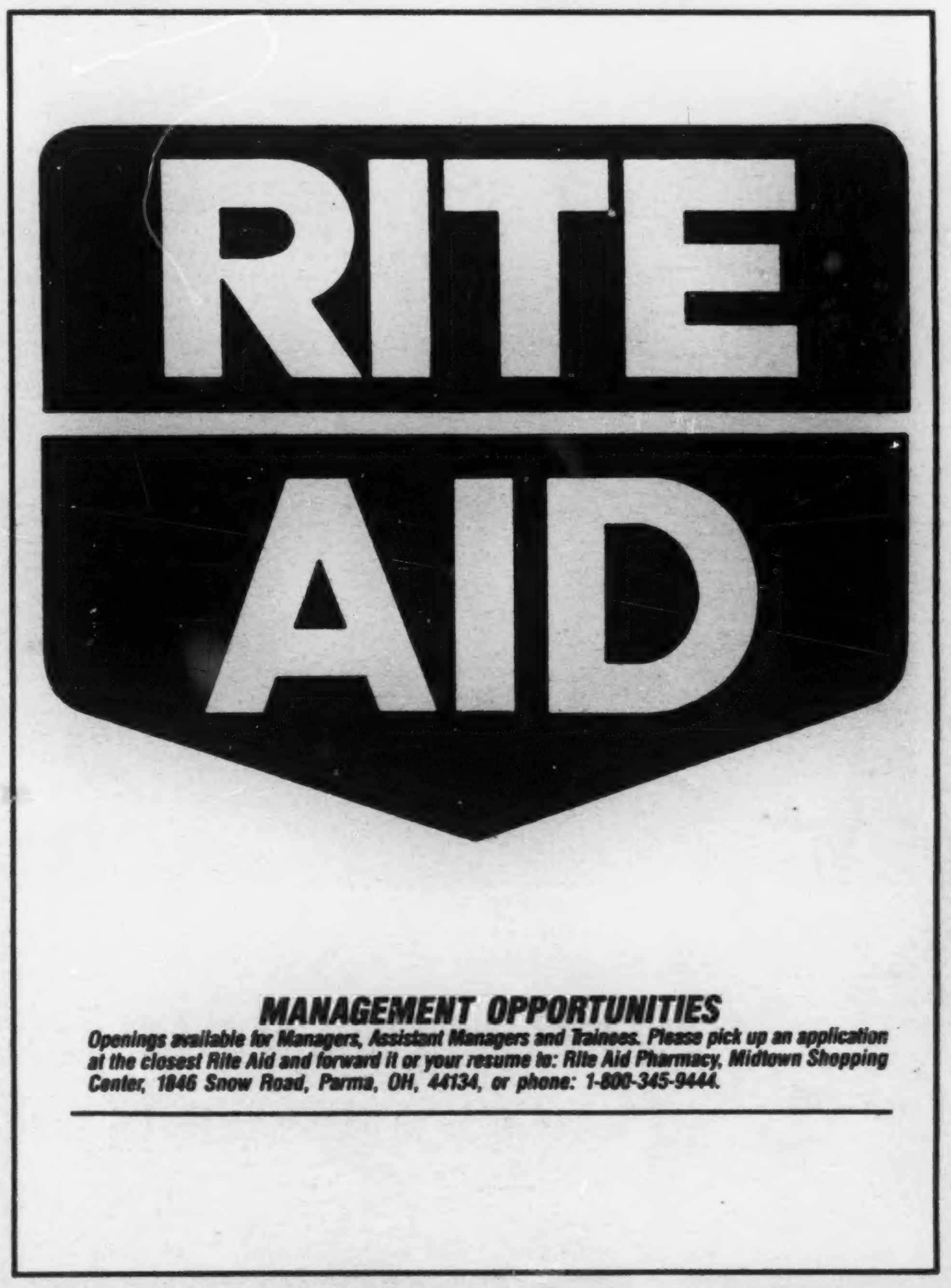
Ala.	None
Alaska	$3.85
Ariz.	None
Ark.	$3.25
Colo.	$3.00
Conn.	$3.75
D.C.	$3.35-$4.85
Fla.	None
Ga.	$3.25
Hawaii	$3.85
Idaho	$2.30
Ind.	$2.00
Iowa	None
Kan.	$1.60
La.	None
Maine	$3.65
Mass.	$3.65
Minn.	$3.55
Miss.	None
Mo.	None
N.H.	$3.55
N.D.	$2.80-$3.10
Ohio	$2.30
Puerto Rico	$0.55-$3.35
R.I.	$3.65
S.C.	None
S.D.	$2.80
Tenn.	None
Utah	$2.50-$2.75
Vt.	$3.55
Va.	$2.65
Wash.	$2.30
Wyo.	$1.60

States with $3.35 minimum wage: Calif., Del., Ill., Ky., Md., Mich., Mont., Neb., Nev., N.J., N.M., N.Y., N.C., Okla., Ore., Pa., Texas, W.Va., and Wis.

Source: U.S. Dept. of Labor


HELP WANTED
PART TIME CASHIERS
SHOPPING CARTS ARE NOT PERMITTED
PLEASE LEAVE ALL BAGS WITH CASHIER
DUE TO EXPANSION RITE AID
NOW HIRING
MANAGERS AND MANAGER TRAINEES
SEE STORE MANAGER OR CALL TOLL FREE
1-800-345-9444

In Newburgh, N.Y., a Rite Aid drug store posts four help-wanted signs at entrance, above. It is a reflection of the severe labor shortage affecting many retailers in the area, caused by low unemployment and the proliferation of malls and new stores. The chain has also tried including a notice for store management applicants in its promotional ads, below.



RITE AID

MANAGEMENT OPPORTUNITIES

Openings available for Managers, Assistant Managers and Trainees. Please pick up an application at the closest Rite Aid and forward it or your resume to: Rite Aid Pharmacy, Midtown Shopping Center, 1846 Snow Road, Parma, OH, 44134, or phone: 1-800-345-9444.

Ukrop's rewarding solution: elderly, impaired workers

RICHMOND — As retailers search for untapped labor sources, they might well look at Ukrop's Super Markets, a chain of about 20 stores based here.

Not only has Ukrop's been hiring retirees since long before a labor shortage was on the horizon, it has also been hiring mentally and physically impaired employees, to the benefit of employer and employee alike.

"All we're doing is taking advantage of something that's out there," said Rick Carr, Ukrop's manager of human resources. "It has worked well for us."

The chain cooperates with Supported Employment of Virginia, a private agency, and other governmental and private groups that help place disabled people in the workforce.

The Supported Employment group provides counseling, coaching and other support. When the agency sends a impaired person to work at Ukrop's, a social worker comes, too, and learns the job alongside the new employee. They work the four-hour shift as a team for a few weeks, with the social worker tapering off as the impaired worker gains confidence in his or her ability to handle the job alone.

"The social worker takes the pressure off, then slips out of the picture," explained Carr. "It's a good transition from sheltered workshops or for those who have never worked before."

The workers are paid and treated the same as other part timers at Ukrop's, he said. Although a company is allowed to pay impaired employees below the minimum wage, Ukrop's starts all its employees somewhat above the minimum. They usually work as entry-level courtesy clerks, greeting customers and bagging and carrying groceries for customers. Others help in the on-site bakery or clean and sweep. "We may modify jobs somewhat to accommodate workers," Carr added.

Their conditions range from slight learning disabilities to Downs Syndrome; there are also deaf and other physically impaired, though mobile, employees.

"We've always had some disabled people working for us," Carr said. "We just stepped it up about a year ago."

Although Ukrop's began hiring retirees almost accidentally many years ago, when an older man told a Ukrop family member he had time on his hands and needed some exercise, the chain has reaped goodwill benefits as well as dependable employees from its policy. "We do very little advertising," said Bob Kelley, vp-human resources, adding that he and a senior with experience in personnel work speak at senior citizen centers two or three times a month. Ukrop's people also serve on local seniors' committees and as members of the Urban League.

Some seniors work full time, others part time, usually as courtesy clerks, but Ukrop's also tries to match jobs to their previous work experience. "If they've taken early retirement, they have a good 15 years of work ahead of them," said Kelley.

Special report: Cosmetics/fragrances 1988

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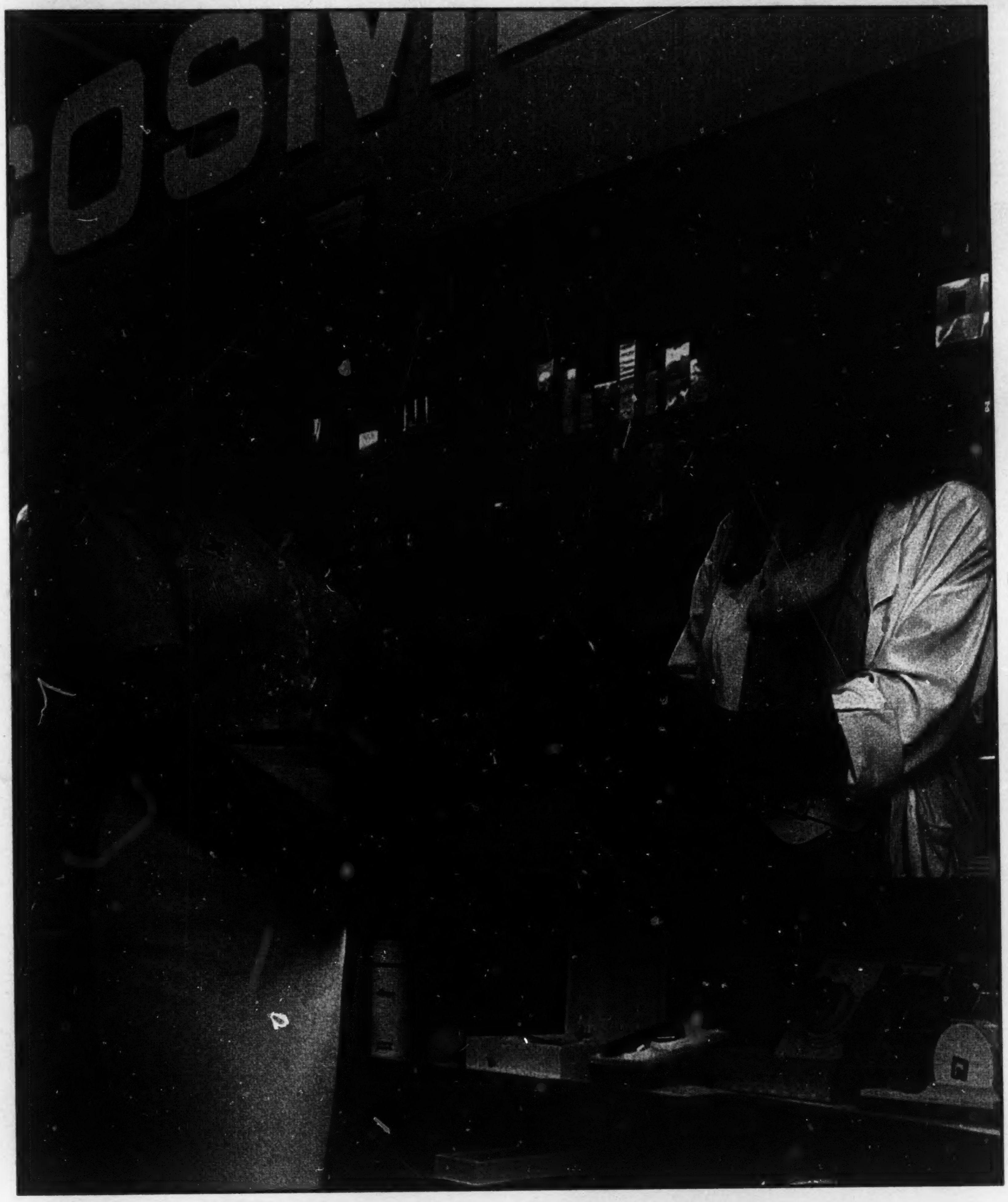

Chart 1: Growth of color cosmetics in retail drug stores*

(1987 vs 1986)

Segment	1987 sales (millions)	% change
Eye Makeup	$252.1	4.3%
Lip makeup	$235.8	7.9
Nail Color	$154.7	(5.8)
Face Make-up	$317.1	9.2
All color cosmetics	$959.7	4.9

*Sales of color cosmetics in retail drug stores only

Source: Nielsen Marketing Research

Chart 2: Growth of color cosmetic sales in all mass retail outlets

Segment	Drug stores	% change	Food stores	% change	Mass Merchandise stores	% change
Eye	$252.1	4.3%	$ 94.7	8.8	$102.8	3.5
Lip	235.8	7.9	57.0	11.5	61.2	5.8
Nail	154.7	(5.8)	41.3	(3.5)	49.0	(8.9)
Face	317.1	9.2	101.2	14.0	119.2	7.4
All color	959.7	4.9	294.2	9.1	332.2	3.2

Source: Nielsen Marketing Research

Chart 3: Share of 1987 color cosmetic sales by retail outlets

Category segment	Drug	Food	Mass merchandisers
Eye	56%	21%	23%
Lip	67	16	17
Nail	63	17	20
Face	59	19	22
All cosmetics	61	19	20

Source: Nielsen Marketing Research

Color my world hot: cosmetics buyers

By Elizabeth Parks

The mascara/eye color category is starting to overtake the nail care segment as the hottest growth area in color cosmetics.

According to reports from cosmetic/fragrance buyers around the country, the hottest new product right now is Max Factor's No Color Mascara. Buyers say the item is so hot and so unique that many chains sold out "practically overnight," and then they had trouble restocking because Max Factor couldn't keep up with the demand.

A few chains are still waiting for their first shipments, and the typical comment from these buyers is "if we had it, it would be the hottest thing in our stores."

Growth segments

Buyers also say that although No Color is making the biggest splash in their stores right now, all their mascara lines are selling very well. In fact, most buyers say the mascara segment is currently their fastest growing area in cosmetics.

In Kansas City, Gwen Batchelor, the cosmetic supervisor for Dot, reports that all her mascara lines are growing. "Cover Girl's Lash Primer is doing very well," she says, "and so is their Sensitive Eyes Mascara. L'Oréal's Lash Out is doing well, and Maybelline's Ultra Thick Lash is strong. They're really all doing well."

In Detroit, David Van Howe at Arbor also reports that all his mascara lines are selling well; in Alabama, the cosmeticians for Harco Drug report they also are seeing such a trend, and in the West, Longs Drug sources also say mascara is selling well.

A few buyers report that some shades right now are selling better than others. Several said their best sellers are the basic black and brown mascaras and the cobalt blue. One source said the purple shades were not selling well at all in her stores because "it doesn't bring out the eye."

Nail treatment sales

Last year the total nail care category was the fastest growing segment in most drug stores, but this year nail sales have slowed down. The treatment section of nail care is still very strong, but buyers across the country report that sales of artificial nails are down "considerably," and color is erratic. About half the chains we talked to reported their color sales were flat, while the rest said they were up, sometimes as much as 30 percent.

In nail treatments, most buyers say their sales are still going up between 20 percent to 25 percent this year. The DeLore line is frequently mentioned as a strong seller, and several buyers also singled out Sally Hansen's new Nail Therapy which is enriched with vitamins, aloe and collagen.

Most buyers also say that Revlon's new Calcium Gel is starting off very strong, and that L'Oréal's Strong Grow, the La Sallé No Chip, and Del's Sally Hansen Maximum Growth are also doing very well.

Both the full Sally Hansen and the La Sallé treatment lines get good reviews, with most buyers saying their strongest sales are for the nail hardeners.

Many buyers also reported sales were growing on the Revlon Liquid Nail Wrap line.

Artificial nails down

Almost every buyer we interviewed said artificial nail sales were down, even for category leader Lee Nails. "People are afraid of buying the artificial nails because of the bacteria you can get. Also, the tabs are a nuisance. Many women report they just don't keep the nail on," said a source for Brooks Drug.

However, a few buyers said that even though their artificial nail sales were down, the professional lines in their stores were outperforming the category, as were the nails made by West Cabot Industries.

"The sculptured nails and the Miss Lee Nails are doing okay for me," said one source, "but the active lengths are very soft." In many markets, French manicure kits also continue to do well.

Revlon, Maybelline and Cover Girl get the best ratings in color. Some buyers said that Max Factor and L'Oréal nail color sales were doing okay, but a few buyers are reporting that L'Oréal's nail color sales are slowing down.

Some said this may be because the L'Oréal line is priced higher than Cover Girl and Maybelline, while others said they had a service problem. Several buyers reported that their service has been so slow that their stores have been out of stock "on the best shades" for several months now.

Most buyers were very enthusiastic about Cutex's launch of its new Strong Nails color treatment line. A source at Brooks Drug said the Knox gelatin in the Strong Nails formula was a tremendous boost and should go a long way towards insuring the success of the launch.

Skin treatments

This year, most buyers are reporting that skin treatment sales are doing "surprisingly" well. Most buyers say this is primarily because of the growth in their Almay sales, and also, to some extent, to the success of the Colgate Lournay line in some chains.

Revlon's Anti-Aging lotions and Almay's Stress Cream and Stress Eye Gel were also said to be doing very well in most chains.

Sources for chains like Brooks, Peoples, Arbor, Austin, Douglas and Harco all report growth with the Almay line, color cosmetics as well as treatments. Lournay is not in as many chains yet, but most cosmetic buyers who do have it report good movement from the pre-packs. At Arbor Drug, Van Howe says Lournay is doing "quite well for us."

In New York, Marlene Isaacson at Austin says it's doing exceptionally well in some stores, and that advertising seems to be helping the brand. Some buyers said Lournay seems to be doing well because of Colgate's advertising support and because the four-SKU line is a simple regimen, not expensive and very easy to understand and use.

"It's perfect for the young women just starting to use a regimen," said one source. The toner, made without alcohol, is reported by many buyers to be particularly strong.

Buyers in several Northeast-based chains also reported strong sales of the Doak Formula 405 skin treatment line.

Chain buyers evaluate cosmetics lines' performance for '88

DISCOUNT DESIGNER
FRAGRANCES

Arbor Drug in Michigan is currently upgrading its cosmetics department. The new look is brighter to make the department "more attractive" to consumers, plus the aisles are being widened for greater shopping conveinence.

Year	Drug stores	Food stores	Mass Merchandise stores
1987	61%	18%	21%
1986	58	17	25
1985	59	17	24
1984	60	16	24
1983	62	16	22

Chart 4: All color cosmetic sales: retail share trends

Source: Nielsen Marketing Research

Lip sticks and lip glosses is still a major segment, but growth, many buyers say, is just fair to moderate.

Most buyers said there hasn't been any "really trendy launches in this segment lately," and that their bestsellers are still Revlon, particularly with Super Lustrous, and L'Oréal with its Glossique line. The Gleamers gloss stick is also doing well.

The L'Oréal and Max Factor lipsticks are just "okay," most buyers report.

Del Labs has a new pencil form lipstick with a geometric pattern, and buyers say they think that will probably do well this year.

Revlon also has a new line, which will be shipping soon, called Lip Therapy. It conditions and protects the lips, and most buyers said they think this line will be very good, because it's different and it addresses a real need.

The Lip Therapy conditioner can be worn over or under regular lipstick, and it protects and coats the lips with extra moisturizers. It also has an SPF of 19 for sun protection.

"It softens existing aging lines and it also prevents signs of aging. It's the kind of product most women easily respond to, and I think it will do very well with us," says Marlene Isaaacson at Austin.

At Brooks Drug, sources were waiting to see how well Clarion's new lipstick packaging will increase sales, and they were also reporting strong sales with Revlon's Super Lustrous, "partly because we promote it so much," and with the Max Factor lipsticks "because their cabinetry is so good. It helps the lipsticks sell themselves."

Facial makeup In facial makeups, most buyers said Cover Girl is currently their best line, and several said Visuelle is also selling well.

Max Factor has a relatively new line of sheer makeups with sun care protection called Sun Smart. Although most buyers said it was too soon to form a final opinion, their initial reaction is that it will do well this year in their stores.

Many buyers said Revlon's New Complexion makeup is selling strongly, and the Brooks Drug chain in the Northeast reported strong growth with Corn Silk.

Most buyers say the blush segment is "standard. Okay, but nothing dramatic or spectacular."

In Detroit, David Van Howe of Arbor says Almay's new blush shades should do well. Van Howe also likes Factor's new Blush Stroke, which he called "unique." Blush Stroke has a pencil applicator as well as a brush on the opposite side. It was designed to give women more control as they apply the blush to their cheeks.

Many buyers added they are doing well with ridge fillers or wrinkle concealers like Max Factor's Erace. Austin's Isaacson was also enthusiastic about Factor's new pencil blush, Blush Stroke.

Eye makeup Many buyers said they are doing well with their single pan eye shadows.

Revlon's new Eye Gel continues to move well. Austin's Isaacson called Revlon's new eye liner pencil a "great item," and said she thinks it will do really well.

Brighten Industries, which makes the successful Beauty Eye Pack, also has a new two-minute moisturizing eye gel coming out, and several buyers think it will do well. One said the new gel "has good ingredients" and it will be coming out at a time when "eye gels are hot."

At Douglas, buyer Anne Beauregard said the Eye Pack has been doing well since Christmas. "We can take a good margin on it, and we don't have to feature it. It comes in pre-packs and it sells itself."

Buyers are also hopeful about Maybelline's relaunch of its Perfect Pen Eye Liner.

Buyers are also optimistic about a similar product that Revlon is now shipping. Most said they thought the new Revlon Eye Lining pencil should do well this year.

Accessories successful In accessories, buyers say they are doing really well with Caboodles, a cosmetic organizer, and with hair accessories, particularly banana combs, a two-part comb called T'zers, and Marten Industries' Martinique accessories line.

Buyers also say that the Caboodles organizer sells itself. Our sources also said they like the new spring/summer shades coming out this year, plus the box has been redesigned so the edges are softer and rounded, and most buyers said that should make sales even better "because it looks even more feminine."

Some buyers who have sun care packs in their cosmetics area reported excellent sales from the new Sun Less Tanning Lotions that Coppertone has out this year. Several buyers who said they got their first shipment in April had already reordered twice by the end of May.

Nail care Among the recent new cosmetics releases is a new Nail Zone product from Pavion that buyers say is off to an "interesting start." Those that have it say initial movement has been good, and those that are still waiting for it say they expect it will do well.

Cutex's new Strong Nails is just getting to most stores at presstime, but buyers expect it to be strong. One buyer whose stores had had the line for about a week at presstime said it looked "very promising."

Two buyers said they felt women would be very receptive to the line because "so many people believe that gelatin is good for the nails and Knox gelatin is in the formula."

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maybelline

Arbor Drug is also replanograming its cosmetic department so product is displayed in a "family configuration" rather than by product category. With brand names grouped together, Arbor says customers will be able to easily match lip and color shades together without having to search throughout the department for the brand they prefer.

Chains seek cosmetics zip via prototypes

Some chains with new management like Brooks, Dart and Revco were in the process of reevaluating their cosmetics departments and were preparing new prototypes to make the department more visible and more attractive to consumers.

Even chains with strong cosmetics departments like Austin, Arbor, Harco, Fay's, Perry and Peoples were working on new approaches that could both exploit their existing strengths, particularly their service cosmeticians, and at the same time give them access to new "opportunities" in the category.

Almost every chain we talked to was upgrading their fixturing, and most were going with the new Revlon Avanti fixtures, the new Max Factor fixtures, and Noxell's fixtures for Cover Girl.

A few chains like Peoples, Harco, Arbor and Austin Drug were also reviewing their adjacent departments, trying to maximize sales in the categories that would most logically sell best in the same general area of the store as cosmetics.

Clerks more accessible

Many were moving their bath accessories, ethnic products and hair color and professional hair care lines closer to cosmetics, so the sales clerks could be more accessible to consumers with questions.

Most chains were also talking about getting better lighting for the department. Many buyers told *Drug Store News* that wanted to light their section "so the product just pops off the shelf." Many were also looking for ways to broaden or widen their aisles so customers would feel more at home "browsing for cosmetics."

This year, more than ever, buyers were talking about the pressing need to train their cosmetic clerks "even more thoroughly than in the past."

Many chains with strong cosmetics departments were doing more to highlight them. This year Fay's sponsored its first annual Beauty Fair to showcase its cosmetic expertise, and Peoples Drug held its third annual Beauty Expo for the same reason.

Harco, Austin, SupeRx, Eckerd and Thrifty are other chains that have used some variation of a beauty fair to attract and please existing and potential customers.

Dermatologists seen as a training resource

Key executives for many drug stores and cosmetics manufacturers are finding that dermatologists can be a very valuable training resource.

In North Providence, R.I., Anne Beauregard, the cosmetics buyer for Douglas Drug, reports that Doak sent a New York dermatologist to speak at a school for Douglas cosmeticians.

Beauregard said this was the first time a dermatologist had come to one of the Douglas cosmetic schools, and that his talk was fascinating.

"We had dozens of questions about everything from Retin-A to skin cancer, and he fielded them all," she said. "It was very valuable for us since our cosmeticians spend so much time dealing with the public and trying to answer the kinds of questions that we dealt with at that seminar."

Fragrance buyers are reporting that many women customers prefer to buy several brands of fragrances rather than one so they can have a "wardrobe of fragrances" to match their different moods. Focal point displays are a key way to capture more of these impulse sales.

Chains brace themselves for a flood of new fragrance intros

The fragrance category in mass drug stores is about to get a strong injection of new product excitement.

A number of manufacturers have new launches planned for later this year, and several others are relaunching or revamping older and more established lines.

In men's fragrances, which is a growth area for drug chains, Shulton is launching a new scent called Santa Fe targeted to the younger, contemporary male.

Shulton is also investing in print and TV campaigns to continue to support their Night Spice which was launched last year. They are also continuing to spend on TV and print to build and maintain share for their traditional best selling brand, Old Spice.

Shulton is also repackaging Pierre Cardin which has been relatively soft in drug chains for the past year.

MEM is continuing to support its popular English Leather line with what the company calls its largest ad budget in the brand's history, and the company is also introducing a new all in one after shave and cologne in a musk scent: Cool Musk.

Faberge is rolling out McGregor, its new men's prestige fragrance backed by a $5 million ad budget.

Coty, which last year launched Iron successfully, is now launching Mexicali Musk For Men, also targeted to younger men. Coty is also continuing to support their flagship men's brand Stetson, as well as last year's Iron.

Prince Matchabelli has a new four sku cologne/after shave line with the catchy name "Hero." Support will include TV, print and scent strips.

Beecham is also expanding its print campaign for Jovan Musk, carrying through with their controversy provoking "What Is Sexy" campaign which broke last Christmas.

New in women's fragrance

In the women's segment, which is flat in drug stores, Revlon is launching Trouble, which is its first internally developed scent since Jontue in 1975.

Revlon is also reacting to the success of its Xia Xiang fragrance by introducing a new Charlie Oriental fragrance this spring.

Xia Xiang, which was launched by Charles of The Ritz before Revlon acquired Ritz, was the surprise success of 1987 and cosmetic buyers said the scent is still selling well in their stores.

Revlon is also bringing back the formula for the original Intimate. The new Original Intimate will be sold in line with Revlon's Modern Intimate.

Almay has a new "hypo-allergenic" fragrance that, if successful, would be a unique new addition to the category. Almay also plans to spend at least $5 million to support the launch.

Calvin Klein has a new prestige fragrance debuting which, with its $17 million ad budget, could create a new opportunity for ADF sales. It's called Eternity, and the distribution for the first year will be limited to 700 doors.

Prince Matchabelli has its first spray cologne launching as an extension of its Impulse Body Spray line. It's called Tres L.A. and it will be supported by a $7 million ad campaign.

Coty is also working on a new women's scent which will probably launch later this year.

Buyer's assessments

Many buyers said they are a little "overwhelmed" by all this new excitement in the category. Some said it could be just the shot in the arm the category needs in their stores, but others are afraid that so many new products, all coming out during the third and fourth quarters, could confuse the consumer and make it hard for any individual new product to stand out "as something special."

"I don't ever remember seeing so many things come out at once like this before," said Marlene Isaccson of Austin Drug. "It's a little confusing, even for me as a buyer."

"I think it will be good for my fragrance sales," said David Van Howe, the senior cosmetics buyer for Arbor Drug. "Whenever you have new product launches, it helps the overall category. Right now without the new launches, my fragrance sales are up about 4 percent. Hopefully with the new launches, I may be able to end the year with sales up between 8 percent and 10 percent, said Van Howe."

At press time, most buyers hadn't seen all the new brands yet, and some had seen them but not smelled them all.

Most buyers showed the strongest optimisim for Trouble, Sante Fe, Mexacali, McGregor and for Charlie Oriental.

Most buyers were enthusiastic

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Fragrance: New product launches

Brand	Manufacturer	Quarter of launch	Comments
Trouble	Revlon	4th qtr.	Aimed at women 20-40. First internally-developed scent since Jontue in 1975. TV and magazine support from Oct. through Dec. 7 SKUs priced $10 to $80.
Ex Cla Ma Tion!	Coty	4th qtr.	Ad campaign theme is: "Making a statement without saying a word."
Eternity	Calvin Klein	3rd	New department store women's line. About $17 million will be spent to support Eternity in its first year. Distribution limited to about 700 doors.
Sante Fe	Shulton	3rd	Daytime scent for younger men. $5 million introductory ad campaign. SRP's $8.50 to $15. 5 SKUs in line.
Almay "Hypo Allergenic" Fragrance	Almay	3rd qtr.	Almay's first fragrance. Will be marketed as "the first and only" hypo-allergenic fragrance. $5 million will support the brand in its first 5 months. 4 SKU line: $10 to $16.50.
Mexicali Musk For Men	Coty	3rd qtr.	Targeted to younger, contemporary men. Support includes a multimillion dollar ad campaign.
Hero	Prince Matchabelli	3rd qtr.	4-SKU cologne/after shave line. Ads use theme "Everyone Needs a Hero." SRP's: $8 to $13.50. Support includes TV, print and scent strips.
Charlie Oriental	Revlon	3rd qtr.	Extension to 15-year-old Charlie line. Two sizes, $10 and $20.
English Leather	MEM Company	2nd qtr.	An all-on-one after shave-/cologne being introduced in ½-oz. trial sizes. SRP $1.50. 4 oz. size has a $7.50 SRP
Pierre Cardin	Shulton	2nd qtr.	New packaging. $2 million ad support planned.
Tres L.A. Impulse Spray Cologne	Matchabelli (Chesebrough-Ponds)	2nd qtr.	Extension of Impulse Body Spray line. First spray cologne. Two sizes; $4.95 and $7.50. $7 million ad campaign planned.
Jovan Musk	Beecham	2nd qtr.	Repackaged and supported with major new print/TV campaign. Plus two new line extensions: Jovan Musk Oil and Jovan Musk For Women Solid Anti- perspirant.
Original Intimate	Revlon	2nd qtr.	Relaunch of original Intimate, which was discontinued last year. Two sizes, $13.25 and $17.50. Becomes a line extension for the Modern Intimate now on shelf.
McGregor	Fabergé	2nd qtr.	New men's prestige fragrance. Support includes $5 million print and TV ads.
Gucci Nobile	Colonia	2nd qtr.	Line Extension: Gucci scent for men. Colonia is the distributor.
Arielle de Fragonard Parfum	Marimar Inc., Distributors	2nd qtr.	New scent from the House of Fragonard. SRPs 12.50 to $50 for 5-SKU line.
English Leather	MEM	1st qtr.	MEM has doubled its ad budget for line. Now at the highest level in the company's history. 36-week schedule broke Jan. 1988. Theme: "Some Guys Have it All."

Source: Drug Store News Survey

The Canadian drug chains have always known how to make their cosmetic aisles seductive. Here Pharmasave uses a teddy bear to make their cosmetic island appealing and inviting.

Buyers brace for a flood of fragrances

Continued from page 58

about Revlon's launch of Trouble, saying that Revlon would spend generously to support the launch and that the company, with its relatively new management, was on a roll for doing things right.

At Brooks Drug, management said they liked the fragrance and the packaging, and also said Revlon could pull off the ad campaign they were planning, "a little outrageous, a little offbeat, a lot of fun, but nothing extreme", the launch could be very strong.

A few buyers, however, were a little dubious about Trouble, saying that Revlon's fragrances lately haven't been doing as well as their color cosmetics.

A few sources who had McGregor in their stores at press time said it wasn't selling all that well yet, but this was before Father's Day and at a particularly slow time for fragrances.

Most buyers said they liked the scent and packaging for McGregor, and that Father's Day would be its "true test."

There was the possibility that McGregor may get some unlooked for publicity because of a possible conflict with anti-alcohol abuse groups who seem to be objecting to the McGregor slogan: a little scotch before breakfast.

But buyers said that if a controversy does develop around the slogan, it could be good for the brand, making it stand out from the herd.

Several buyers said they think the Oriental or spicy fragrances may be an important new trend, catching the public's fancy just as musks did when they first emerged several years ago.

A few sources said they would describe the top notes in the Beautiful and Liz Claiborne scents, which are selling well in department stores right now, as being close to an Oriental fragrance.

Gwen Batchelor, the cosmetic supervisor for Dot Drug said Charlie Oriental can be the discount drug store's answer to Xia Xiang which is in limited distribution now.

Chart 5: Growth in mass market fragrance sales

Segment	1987 sales (millions)	% change vs. '86
Women's	$ 711.0	(0.7%)
Men's	557.7	4.7
All Mass Fragrances	1,268.7	1.6

Source: Nielsen Marketing Research

Buyers also said they expect the romantic and floral fragrances to do well this year. Those who have seen the new Arielle de Fragonard scent, which is being distributed in this country by Marimar, said it also looks like a winner.

"It's a very nice scent," said Van Howe of Arbor, "and I think it should do very well."

Management at Brooks Drug agreed, but one source there worried about the name. "Arielle by itself would be better than Arielle de Fragonard," the source said. "The scent is lovely, but many people won't buy something they can't pronounce."

Buyers were kind of mixed about the relaunch of the Original Intimate. Some thought it should be great because "older customers would want the brand." But others thought it might sell fairly slowly since the Modern Intimate is not a strong seller.

Buyers who had seen and smelled Shulton's new Santa Fe said they were very impressed with it. Most said they liked the scent, the packaging and the concept.

Several buyers said they also liked the brand's positioning. "It's not a real western campaign with a guy rounding up ponies," said one buyer, "But it's more sophisticated and cosmopolitan.

"The packaging is very pretty and the scent is attractive."

One buyer said the scent at first comes on very strong, but that it dries down beautifully. "It should appeal to women buying for men who always claim they can't smell anything," said one buyer, "but I also hope the strong top notes don't frighten away users who will like it better when it dries down."

The concensus, however, was that Sante Fe will do well, and that Shulton can be counted on to support it.

Most buyers said they think Coty's new Mexicali Musk will also do well, partly because it is from Coty and buyers have a lot of respect for Coty's fragrance launches. In addition, it looks like a "fun" brand with a quality fragrance.

Everyone who tried the fragrance said they liked it, and most buyers also liked the packaging. They thought Coty's campaign for the brand which will feature the little worm on the Mexacali logo will be amusing and attention getting.

"I can just see a women spotting this in my store," said one buyer. "She'll take one look at it, say "what is this" and then buy it because it's so off beat. But then I think we'll get resales because the fragrance is good—kind of a Polo with a light musk scent to it.

However, a handful of buyers were skeptical about the advertising emphasizing the little worm on the logo.

"That is a pretty odd choice," said one buyer, "and I honestly wonder how women will react to it."

Coty sources said they picked the worm as a logo because it is "playful" and because it ties into the Mexican

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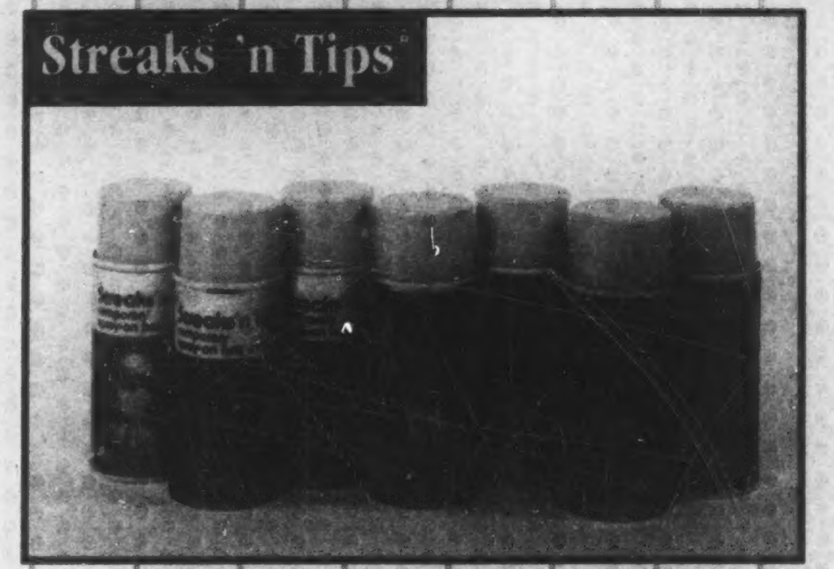

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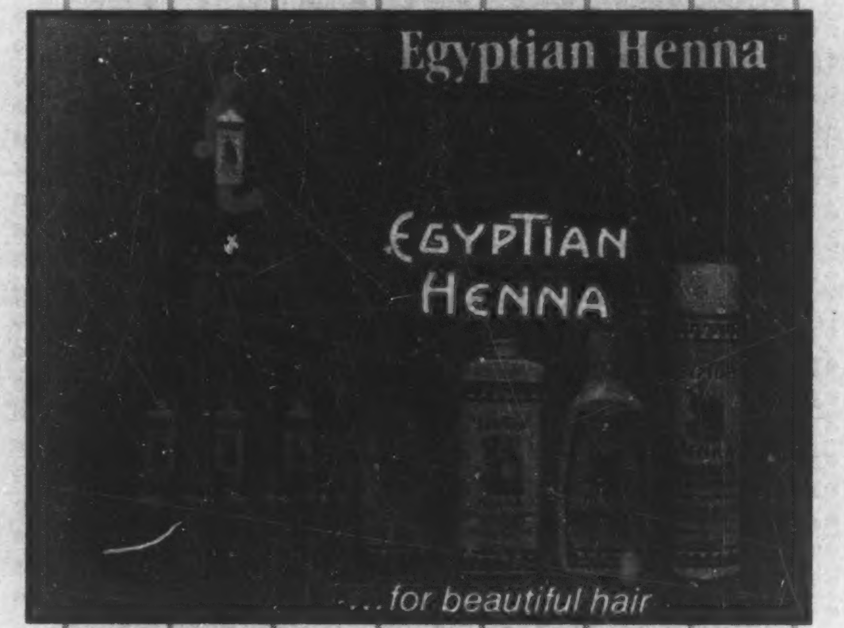

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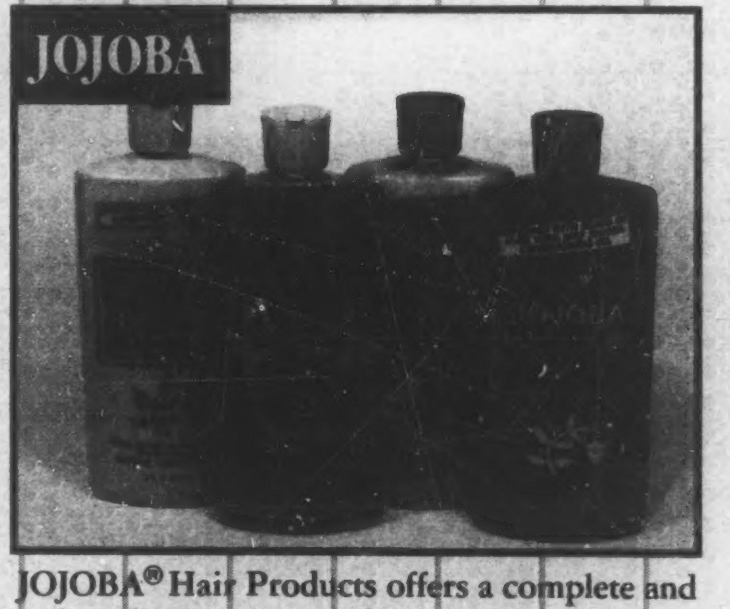

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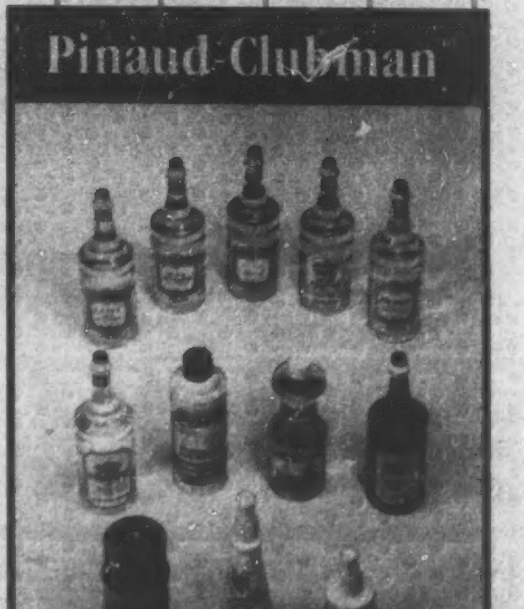

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Buyers say it's the little touches that make a difference in their cosmetic planograms. Keeping the service bar "uncluttered," for example, as Crown does here is a sure way of winning over a potential customer. So is the use of flowers and jewelry as "props" in the case itself.

Chart 6: Mass women's fragrance sales by retail segment

Retail segment	1987 sales (millions)	% change	Share of sales
Drug stores	$622.7	1.1%	88%
Mass merchandisers	88.4	(11.6)	12

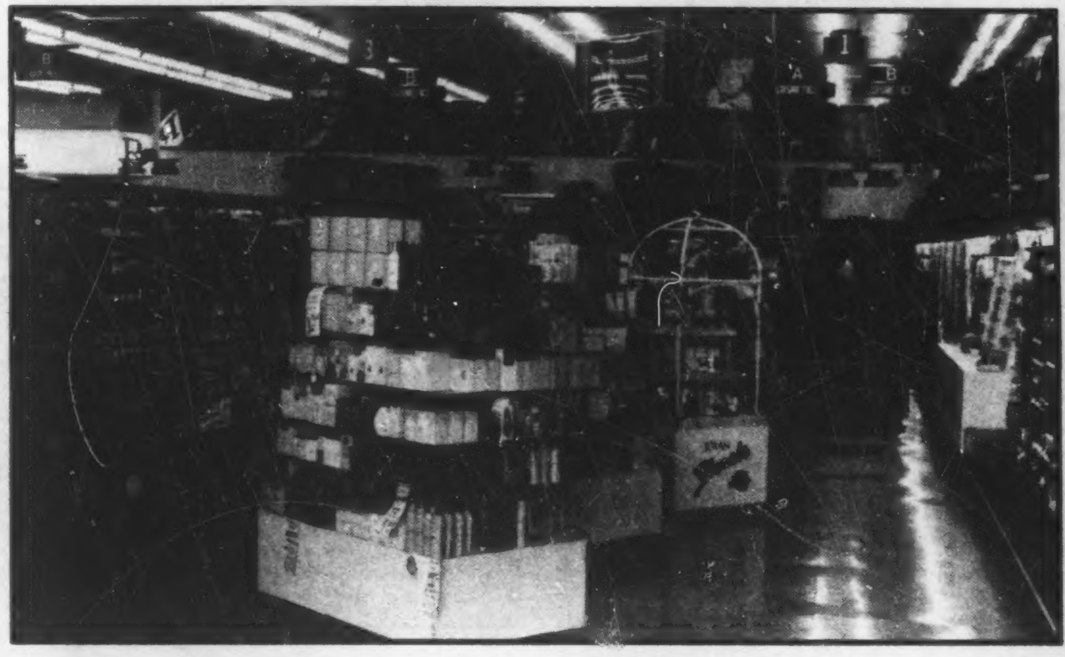
Source: Nielsen Marketing Research

Chart 7: Mass men's fragrance sales by retail segment

Retail segment	1987 sales (millions)	% change	Share of sales
Drug stores	$347.4	7.0%	63%
Food	92.9	5.5	16
Mass Merchandisers	117.4	(2.1)	21

Source: Nielsen Marketing Research

Buyers eye new brands; established scents show strength



Most women shoppers are instinctively comfortable walking into a clean, bright store. Longs Drug in California takes special care with its cosmetic department to insure that the customer's first impression is always a good impression.

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image of the brand. A little worm is usually in bottles of Mexican Tequilla.

One Coty source said the worm should capture the consumer's fancy as the alligator does on the Izod polo shirts.

Coty sources also point out that the Mexican/Spanish influence seems to be "in" this year. Mexican beers are hot, La Bamba was a success. Another new movie featuring Latin music and dances, Salsa, has just opened, and there are Spanish influences in this year's fashion designs: bolero jackets, rufffled shirts, etc.

Musk is not as strong a growth segment as it was a few years ago, buyers said, but it is still a viable segment. And the launch of Mexicali may help to revitalize the segment.

Many buyers also think Beecham may be able to put new life back in the segment with their "What is Sexy" ads. Most buyers said Jovan Musk performed well last Christmas and should do well again at Father's Day.

Most buyers found it a little hard to be sure of what to expect from Almay's launching of its innovative hypo-allergenic fragrance.

Everyone used the word "interesting" to describe the launch, and everyone said they weren't completely sure what to expect.

Many said they "can't imagine" anyone making a hypo-allergenic fragrance because it is a contradiction in terms. "I can't imagine what you could put into it to make it both a fragrance and hypo-allergenic," said several sources.

One buyer said that right now she is "skeptical" and will buy "conservatively until I see what happens."

"I don't know what will happen," said Arbor's Van Howe. "I don't know how many people out there may want a hypo-allergenic fragrance."

At Austin, Marlene Isaacson said she thought it would do well because many women think they have sensitive skin and so there should be a built in market for a hypo-allergenic fragrance.

"Women who want to wear fragrances but can't because they're allergic to ingredients in most fragrances will try again to see if this one will work for them," she said.

Almay is asking that the fragrance be merchandised in the skin treatment section so the typical Almay user can find it as easily as possible. "They think many of their initial sales will come from the traditional Almay user," said Van Howe, "and it's also an interesting idea. It's very different, but it could work."

Most buyers said they will wait to decide where they will merchandise the new scent until after they see how well the brand sells off pre-packs.

Several sources said that if it does well from the pre-packs, they may cross merchandise it in both the treatment and fragrance planograms.

Others said that if the fragrance clicks, it could be a blockbuster because it would be "unique" and it would appeal "to anyone who even imagines she has sensitive skin."

Almay is also budgeting at least $5 million to support the launch, and that makes many buyers more comfortable with the scent.

Hero was just making the rounds of the buyers offices at presstime, and few sources had firm feelings about the launch. Several said they were encouraged because Matchabelli's management "has been trying very hard to get the right things done." However, Matchabelli doesn't have the same reputation as Revlon, Cosmair, Shulton or Coty for supporting a launch, so there was some skepticism.

Several buyers said they would probably bring Hero in at Christmas and "see what it can do."

There was also little feedback on Matchabelli's Tres L.A. Most buyers said they thought it would work best with the very young, teen market, but they said the teen market is fickle and that right now they seem to be buying more alternative designer fragrances than anything else.

The concensus was that only time will tell on Tres L.A.

Established Brands

According to chain drug store fragrance buyers, the performance of some of the industry's strongest mass fragrance brands this year is a little erratic. Some sources said they were still enjoying strong sales of the major brands like Vanderbilt, Lady Stetson, Stetson and Chaps, etc.

But a few buyers said that with the exception of Stetson and Lady Stetson, their sales of the mass prestige brands was off "a little" and that even the majority of designer brands, with some exceptions, were not as strong as they'd been in earlier years.

The older, traditional value brands like Old Spice and English Leather are doing well in most chains.

Most sources said Charlie was flat, almost all said Intimate was down, Adidas was not selling that well, and Pierre Cardin was off.

Most chains said they were disappointed in Cosmair's newest brand, Glorius. And even those chains that said it was selling all right for them added that sales were not "spectacular, just steady."

A few chains also reported that their sales of Vanderbilt were down "somewhat".

Xia Xiang is continuing to do well, and Iron and Night Spice are doing all right, although chains differ on which is the most successful brand. About half the chains pick Iron and the rest pick Night Spice.

In designer scents, Obsession, Polo and Poison are doing better than the category as a whole. Liz Claiborne and Estee Lauder scents are also good in most chains that have them.

The Alternative Designer Category is still flat, but Parfums de Coeur is still the leader. Several buyers said their new knock-off of White Linen, Raw Silk, is doing very well.

Delegar's ADF's got several favorable mentions, as did Westport's Fever, L'Illusion, Parfums Celeste and Sensation from Jean Phillippe.

Among outlets, drug stores maintain solid fragrance sales

Overall sales of women's fragrances in the mass retail market were down in 1987, Nielsen Marketing Research indicated. Mass merchandisers suffered the sharpest declines while the average drug store managed to maintain at least a slight growth of about 1 percent.

According to Nielsen, women's fragrance sales in drugstores went up 1.1 percent in 1987 to nearly $623 million. However, Nielsen estimated that they declined 12 percent in mass merchandise stores last year to just $88 million.

Nielsen only tracks women's fragrance sales through two types of mass market outlets: drug stores and mass merchandise stores.

Food stores are not tracked right now because most food stores do not generate much business with the women's mass fragrance category.

Nielsen estimated that drug stores had a 88 percent share of the category's sales in 1987 while mass merchandisers had a 12 percent share.

Men's fragrances

In the men's mass fragrance category, mass merchandisers again lost share, dropping 2 percent to $117 million in sales for 1987.

Drug stores and food stores both generated growth in the category. Men's fragrance sales were up 7 percent in drugstores to $347 million in 1987 and they were up 5.5 percent in food stores to nearly $93 million.

According to Nielsen's estimates, drug stores had a 63 percent share of men's mass fragrance sales in 1987 while food stores had a 16 percent share. Mass merchandisers had a 21 percent share, Nielsen said.

All mass fragrances

Fragrance sales through all mass retail outlets were up slightly in 1987, Nielsen said.

Sales of all fragrances increased 1.6 percent to $1.268.7 billion. The women's segment was down 0.7 percent to $711 million, but the men's segment was up 4.7 percent to $557.7 million.

Consumers voice cosmetic preferences in Gallup study

Most drug store executives describe their cosmetics departments as "the most important area of the store after pharmacy." Although retailers place an extraordinary amount of importance on their cosmetics programs, the department still only accounts for 5 percent of total sales in the average chain drug store, and there are still some chains that are only doing about 3 percent of their total sales in cosmetics.

Most drug chain merchants are trying to build their cosmetics business by upgrading their departments and adding more service assistance to their stores. However, they still say they have a long way to go to woo consumers from their favorite cosmetics retail source: department stores.

These days, the average drug store also has to contend with growing competition from door-to-door cosmetics companies and from mail order houses.

They also have to watch their competitors in the food and mass merchandise industries as these trade classes try to build their presence in this high margin category.

Many companies are currently hiring consultants to help them better understand the needs and desires of the cosmetics user. In addition, many chains, in particular, are trying to find out more about the teen and preteen shopper so they can lure these prime spenders into their stores.

Cosmetics buyers told *Drug Store News* that 12- to 24-year-old shoppers spend more on cosmetics than the average drug store shopper. These buyers also added that once these shoppers are in a store, they tend to browse and make purchases in other categories.

Yet with all the interest in knowing the shopper better, drug store executives said they still don't completely know how the typical consumer thinks today: how they pick a brand, how they pick a store to shop, what they're buying more of, and what it would take to make them more comfortable shopping in a drug store.

That is why *Drug Store News* is now asking the Gallup Organization in Princeton, N.J. to do an annual cosmetics/toiletries user consumer survey for us.

We figure no one is better equipped to tell drug store executives what consumers are buying and where they're buying it than the average American female shopper.

Last year, we had Gallup investigate consumer usage and consumption on fragrances, and the major color cosmetics segments like eye color, lip color, face makeup and nail color.

This year, we asked Gallup to investigate three other "hot" categories: skin moisturizers; hair styling aids, including sprays, mousse, gels and spritzes; and nail treatments and artificial nails.

We asked Gallup to pinpoint usage and consumption trends, as well as brand and store purchasing preferences.

Therefore, in the report that follows, we give you information on the following:

- The percentage of American women between the ages of 13 and 50-plus who normally use skin moisturizers, anti-aging creams and lotions, cosmetics or foundations with SPF ingredients, hair sprays, mousse, styling gels, spritzes, artificial nails and nail treatment products.
- Changes in the frequency of use: how many women are using the above products and whether they buy them more frequently today than they did several years ago.
- Brand preferences by category segment: how many people consider Oil of Olay their favorite moisturizer compared to Clinique, for example, or Neutrogena.
- Whether women are looking for service when they shop for skin treatment products, and whether they buy more hair styling products in beauty salons or in drug stores.
- Why women choose to shop one store more often than anywhere else.
- What women say drug store operators should do to make their stores more attractive places to shop for skin, hair and nail care products.

The methodology for the study was a telephone survey of approximately 500 women, aged 13 and older. The study is a nationally representative projectable sample of all adult American women.

Drug Store News does not have enough space to fully present all the information that was uncovered in the study, including responses broken out by geographic region, race, income and marital status. However, if you think you can use the full Gallup study to help you plan your marketing and merchandising strategies for the future, then contact Special Projects Editor Liz Parks, and we'll send you that portion of the study you're particularly interested in.

Gallup consumer survey highlights

- Just 17 percent of all American women who use hair styling products buy them most often in drug stores. Most women who use hair styling aids (22 percent) buy them most often in beauty salons, and 17 percent said they buy styling products most often in food stores.
- Most women said that they pick a store to shop for styling aids on the basis of its convenience to their home or work and on prices. Very few women said they picked a store because of its selection, service or other amenities.
- Skin moisturizers are very important to most women. Seventy percent of the respondents said they used a skin moisturizer in the past month.
- Forty-eight percent of the respondents said they use skin moisturizers more today than in the past.
- Most American women chose Oil of Olay as their favorite moisturizer brand.
- Just 21 percent of all women said they buy their moisturizers most often in a drug store.
- Forty-six percent of all respondents said service was either somewhat or very important to them when buying a moisturizer.
- Sixty-four percent of all women used a hair spray in the past month; 28 percent used a styling gel; 35 percent a mousse; and 13 percent a spritz.
- A third of all women said they use hair sprays more often today than in the past. White Rain and Final Net are favorite brands.
- Nearly two thirds of all women also use gels more often today than in the past. Dep, Paul Mitchell and Sebastian are favorite brands.
- Three out of 10 women used nail treatment products in the past month. Among users, one third said they use treatments more often today than in the past.
- However just 16 percent of all women said they used artificial nails in the past month. But among users, 31 percent said they used them more often in the past.

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COLOR CO-STARS

Teenagers are important skin care shoppers, and drug store buyers say the best way to catch their attention is with eye-appealing, colorful POS displays.

Chart 1: Incidence of use: skin moisturizers

(Percent of women who have used a moisturizer in the past month, by age groups)

	All women	13-17	18-24	25-34	35-49	50-plus
Used	70%	56%	62%	73%	83%	65%
Did not use	30	43	38	26	17	35

Source: Drug Store News /Gallup Consumer Survey, 1988

Chart 2: Incidence of use: anti-aging creams/lotions

(Percent of women who have used a anti-age cream/lotion in the past month, by age groups)

	All women	13-17	18-24	25-34	35-49	50-plus
Used	21%	20%	11%	18%	21%	27%
Did not use	78	79	86	81	78	73

Scurce: Drug Store News /Gallup Consumer Survey, 1988

Chart 3: Incidence of use: facial cosmetics with sun protection

(Percent of women who have used a facial cosmetic/sun protection in the past month, by age groups)

	All women	13-17	18-24	25-34	35-49	50-plus
Used	25%	23%	28%	22%	38%	18%
Did not use	73	73	69	77	61	81

Source: Drug Store News /Gallup Consumer Survey, 1988

Chart 4: Frequency of use: moisturizers

(Percent of women and their frequent use of moisturizers over the past several years, by age groups)

	All women who use moisturizers	13-24	25-34	35-49	50-plus
Use more frequently	48%	50%	50%	50%	41%
Use less frequently	5	9	5	4	4
Use about the same	47	41	44	46	54

Source: Drug Store News /Gallup Consumer Survey, 1988

Chart 5: Favorite moisturizing brands

(Breakout by age group)

Brand	All women who use moisturizers	13-24	25-34	35-49	50-plus
Oil of Olay	13%	10%	12%	13%	14%
Avon	11	3	6	16	14
Mary Kay	7	6	10	7	7
Pond's	5	2	5	3	8
Clinique	4	9	4	2	3
Vaseline Intensive Care	4	4	3	3	6
Nivea	4	6	5	2	4
Noxzema	4	8	8	—	1
Estee Lauder	3	3	2	—	6
Elizabeth Arden	3	2	2	4	3
Lubriderm	2	1	3	2	2
Neutrogena	2	6	—	1	1
Keri lotion	1	1	5	1	—

Source: Drug Store News/Gallup Consumer Survey, 1988

Gallup: women feel effective skin care is heart of true beauty

The hottest buzzwords in the marketing of cosmetics today are: anti-aging and skin rejuvenation.

Whether women are shopping department stores for cosmetics or their corner drug stores, they are showing a much stronger interest in moisturizing products and products that can shield their skin from the damaging effects of sun, weather, aging and stress.

Skin care buyers for chain drug stores reported that their overall skin care sales are up, sometimes as much as 20 percent over last year. The facial moisturizers are the growth area, as well as the better therapeutic brands of overall body lotions like Lubriderm and Keri.

Growth in skin care market

In the cosmetic user survey that Gallup did for *Drug Store News* this year, seven out of every ten women interviewed reported that they had used a moisturizer within the past month.

The heaviest users, as you might expect, were women between the ages of 25 and 49. However, more than half of all women aged 13 to 17 also reported they had used a moisturizer in the past month, as well as six out of every ten women in the 18 to 24 age and women in the 50-plus age group.

Buyers think there is so much publicity about skin care needs today that women are starting to try moisturizers at a younger age, and they seem to be be using moisturizers much more consistently and seriously.

When we compared this year's Gallup survey to last year's—when we looked at usage for color cosmetics and fragrances—we found that women today use moisturizers more often than eye liners or eye shadows. In addition, women today use moisturizers as often as they use their mascaras.

"Most women today don't think they can become beautiful by just putting on makeup," said one cosmetic buyer. "They now believe that beauty starts with the skin and that you have to eat right, sleep right and make sure you moisturize your skin."

Among the women who use skin moisturizers, almost half said they use them more often now as compared to a few years ago.

Less than one in twenty women said they use moisturizers less frequently today, and 54 percent of all women aged 50 and up said they use moisturizers about as much as they did several years ago.

Facial products with SPF

A surprisingly high percentage of women also use moisturizers or facial cosmetics with sun protection ingredients, and one in five uses the trendy and usually expensive lotions that are specifically marketed as anti-aging or rejuvenation creams.

Women between the ages of 35 and 49—the age group in which skin damage becomes a major concern—are the most frequent users of cosmetics with sun protection factors. However, the woman who is 50 or older is the best candidate for purchasing anti-aging creams right now.

In terms of brand preferences, Oil of Olay, despite the emergence of so many glamourous department store brands, is still the favorite choice of American women. Fully 13 percent of all the women in our survey picked Oil of Olay as their favorite brand.

Avon, however, was the favorite choice of women aged 35 to 49, with Olay a close second. Mary Kay was the second place moisturizing brand with women aged 25 to 35. Girls 13 to 24 picked Olay as their fa-

Continued on page 68

Chart 6: Where women most often buy moisturizers

(Breakout by age group)

Types of stores shopped	All women who use moisturizers	13-24	25-34	35-49	50-plus
Regular drug stores	21%	27%	19%	11%	27%
Department stores	20	22	21	21	16
Door-to-door	18	9	13	23	23
Food stores	11	13	16	6	10
Discount drug stores	9	8	12	13	5
Discount mass merchandisers	9	8	6	16	7
Specialty stores	4	2	5	6	2
Mass general merchandisers	3	7	5	1	2
Mail order	2	—	1	2	3
Beauty salons	2	2	2	1	1
Other	1	—	1	1	1

Source: Drug Store News /Gallup Consumer Survey, 1988

Chart 7: How moisturizer shoppers pick their stores

(Breakout by shoppers)

	All women who use moisturizers	Drug store shopperes	Department store shoppers
Convenient to home or work	40	59	34
Lowest prices	26	16	14
Only place that carries my brand	16	12	32
Selection and variety	8	11	10
Good service	5	3	7
Charge account	1	—	4
Can get gifts with my purchase	1	—	1
Other/don't know	6	2	5

Source: Drug Store News /Gallup Consumer Survey, 1988

Gallup skin study

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vorite, but Clinique was very close behind, and Noxzema was in a tight third place.

In addition to identifying brand preferences, the findings from this particular part of the survey also suggest that drug stores are probably losing moisturizer sales to door-to-door salespeople, as well as to department store beauty counters.

According to buyers, the best way to fight this trend is to do more advertising with skin care products and to give it more off shelf exposure in the store.

Until recently, most drug chains had a tendency to display skin care items only during the dry months of winter. However, the Gallup findings suggest that this is a more dynamic year round category, and that drug chains need to give consumers more incentives to buy moisturizers in their stores.

Where women shop

Only 21 percent of all the women in our survey said that most often they bought their moisturizers in a regular drug store. Younger women and older women were the most likely to shop drug stores for moisturizers.

The majority of women aged 25 to 49 shopped department stores or bought from a door-to-door salesperson most often.

Food stores were also a popular place for women 25 to 34 to buy moisturizers most often, and so were discount drug stores like Drug Emporium, Phar Mor and F & M.

Women in their middle years also had a preference for shopping discount or mass merchandise stores more often, such as K mart and Wal-Mart, for moisturizers.

Most H&BA and cosmetic buyers for chain drug stores felt that the preference for food and mass merchandise stores was a response to "convenience" and in mass merchandise stores, to price.

Most chain drug cosmetic/H&BA buyers said it is almost impossible to compete with mass merchandise stores on price because they buy in such "massive quantities."

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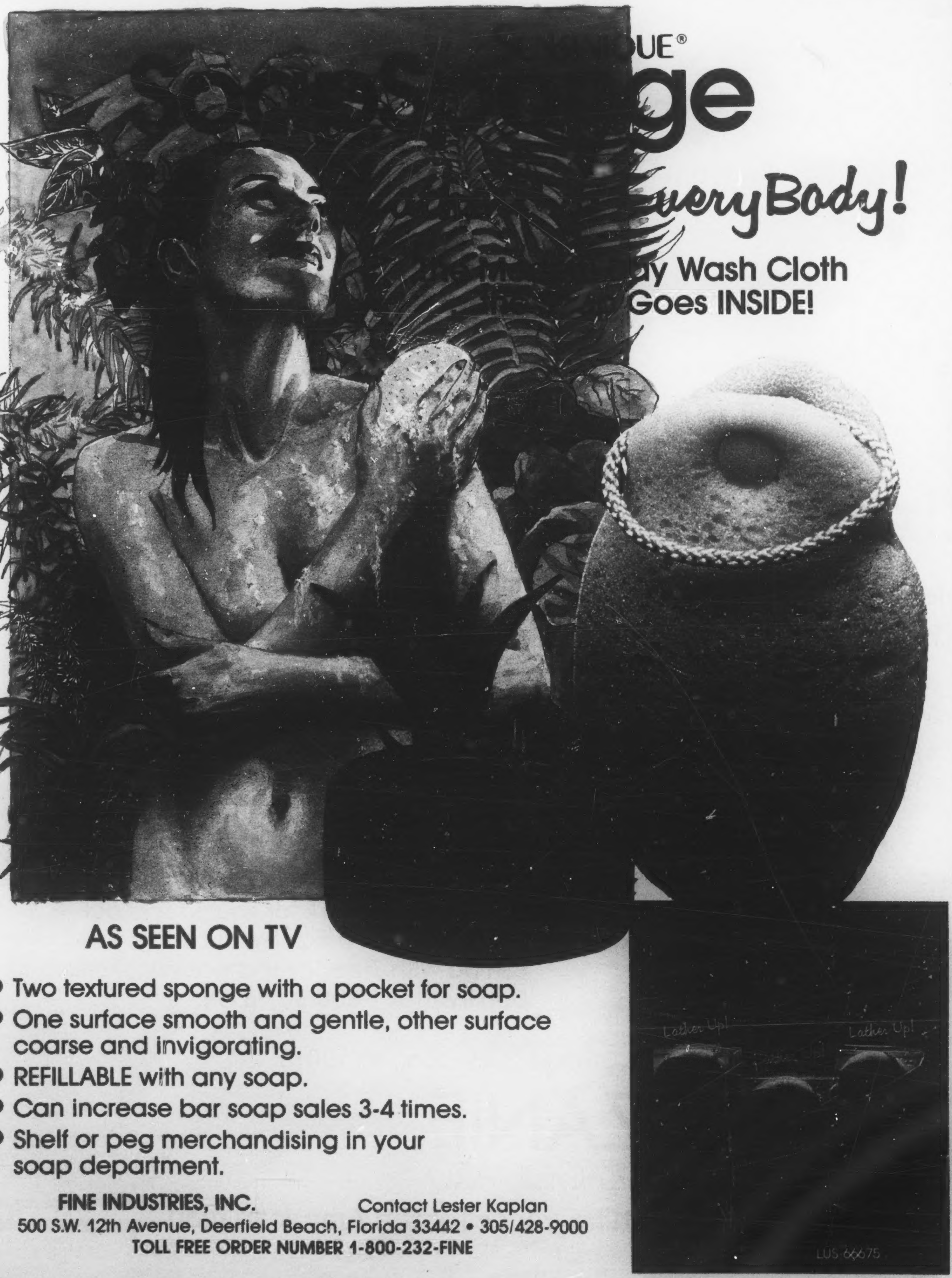
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Chart 8: How drug stores can improve

(What they can offer shoppers, breakout by age group)

	All women who use moisturizers	13-24	25-34	35-49	50-plus
More competitive pricing	15%	10%	19%	22%	8%
Carry better brands	12	10	18	10	11
More variety and selection	11	15	11	12	7
Give more samples	5	8	1	3	7
Better service	4	2	2	6	6
Convenient location	4	2	5	5	4
Advertise more	3	8	4	1	1
Become more colorful/use more point of purchase aids	2	2	1	—	5
Faster checkouts	2	4	—	2	2
Provide a less hectic environment	—	2	—	—	—
Fine as it is	16	11	21	14	16
Other/don't know	29	30	22	27	36

Source: Drug Store News /Gallup Consumer Survey, 1988

Chart 9: Shoppers rate importance of service

(Assisting a skin moisturizer purchase, breakout by age group)

Importance of service	All women who use moisturizers	13-24	25-34	35-49	50-plus
Very important	24%	24%	24%	21%	28%
Somewhat important	22	44	19	20	14
Not too important	20	11	23	26	17
Not at all important	31	18	34	33	35
Don't know	3	3	—	—	6

Source: Drug Store News /Gallup Consumer Survey, 1988

SOFT
SIZZLING
ZAZU

The drug stores that report the strongest growth in cosmetics go out of their way to promote the department. Each ad highlights some cosmetic products, and endcaps and focal displays back up the ads by featuring promotions.

Gallup skin study

Continued from page 68

The Gallup findings, in effect, confirm this interpretation. Four of every ten women in the survey explained that they shopped a particular store most often for moisturizers because it was convenient to either their home or work. Another 26 percent said it was because their store offered "the lowest prices." And 16 percent said it was because the store was the only place "to carry my brand."

Service, the availability of amenities like charge accounts, and gifts with purchases didn't matter to most women who bought moisturizers. Selection mattered to about one in ten, but it was not a critical reason for choosing a preferred store to shop, the women indicated.

Drug stores' sales

Most of the women did think that drug stores could become better stores to shop for moisturizers, however.

About 15 percent said drug stores could be better if they were more competitively priced, and 12 percent said they thought drug stores should "carry better brands." The brand assortment was particularly important to women 25 to 34. Variety of selection was important to about one out of every ten women.

Very few women indicated that they particularly cared about such things as free samples, better service or even more advertising.

Many buyers have told *Drug Store News* that they thought their stores could sell more skin care items if they could just get their clerks to spend more time intelligently servicing the shopper.

Offering more service could possibly be a good strategy. About a quarter of all the women in the survey said service was "very important" to them when they were buying moisturizers, and another 22 percent said it was "somewhat important."

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Gallup: Women eye styling aids, upgraded hair care

In 1988, women seem to have two major cosmetic concerns: the suppleness of their skin, and the shine and texture of their hair.

While the overall hair care category is flat these days, the styling segment, which is made up of products that add sheen, volume and hold to the hair, is growing dramatically. Some segments like gels and spritzes are up 20 percent to 40 percent, according to market research estimates.

Women are telling drug store cosmetic clerks that they want products that do more for their hair. Many say they are willing to pay much more for a brand that delivers a better hold or a healthier shine.

> *'Women really believe that if a brand has made it in a salon,' says one buyer, 'then it's better than just about anything available on the mass market.'*

Buyers told *Drug Store News* that women can't get enough of the professional salon brands in their stores. Many chains now have 4- to 12-foot professional hair care sets in most of their stores, and buyers said they get their best turns and their best profits out of the brands merchandised in this segment.

"Women really believe that if a brand has made it in a salon," says one buyer, "then it's better than just about anything available on the mass market. Because they believe it's better, they don't mind paying a bit more for it."

Buyers also say they think the incidence of use of styling products is growing, as well as the frequency of use.

"Years ago," said one buyer, "you never even had products like gels or mousses or spritzes, and now they are everywhere on the market. For a while, women were shying away from sprays, but now just about everyone uses them."

In this year's Gallup cosmetic survey, *Drug Store News* found evidence that bears out this perception. More than a third of the women in our survey reported they were using hair sprays more today than they had in the past, and 64 percent of the women in the survey said they had used a spray in the past month.

The good news, too, was that younger women were the most frequent users of sprays. Seven out of 10 said they use them more frequently today than in the past, and nearly nine out of every 10 girls age 13 to 17 were users.

As buyers point out, this is the customer group they particularly want to attract to their stores, because girls age 13 to 17 tend to spend more on cosmetics and toiletries, and also because they will tend to evolve into store-loyal shoppers and will probably continue to shop that store as they grow older.

However, many 18- to 49-year-old women also report using hair sprays more often today than several years ago, and most women in this age group have also used a spray in the past month.

According to Gallup, 48 percent of all 18- to 24-year-olds and 54 percent of all 25- to 34-year-olds use hair sprays more frequently today than they have in the past. Nearly eight out of every 10 in the 18- to 24-year-old group use sprays now, as do six out of every 10 in the 25- to 34-year-old bracket.

The group least likely to use hair sprays more often today than in the past was women 50 or older; but even in this age group some 60 percent of all women were using sprays.

White Rain and Final Net were the most-preferred brands among the women in our survey. Aqua Net, which was the third most frequently mentioned popular brand, was also the number one choice of 23 percent of all women age 18 to 34. Women age 50 and older

Continued on page 76

Chart 10: Incidence of use: hair sprays

(Percent of women who have used hair spray in the past month, by age groups)

	All women	13-17	18-24	25-34	35-49	50-plus
Used	64%	88%	77%	60%	59%	60%
Did not use	32	9	15	36	38	37
No answer	4	3	8	4	3	3

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 11: Frequency of use: hair sprays

(Percent of women and their frequent use of hair sprays over the past several years, by age groups)

	All women who use hair spray	13-17	18-24	25-34	35-49	50-plus
Use more frequently	38%	71%	48%	54%	27%	18%
Use less frequently	25	16	16	11	41	29
Use about the same	37	12	36	33	32	53
No answer	—	1	—	2	—	—

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 12: Favorite hair spray brands

(Breakout by age group)

Favorite brands	All women who use hair spray	13-17	18-24	25-34	35-49	50-plus
White Rain	11%	14%	13%	13%	8%	9%
Final Net	11	6	7	11	7	16
Aqua Net	9	10	23	9	7	4
Paul Mitchell	4	4	5	9	—	2
Style	3	4	2	2	5	4
Rave	3	6	5	1	6	2
Alberto Vo5	3	1	5	1	1	6
Adorn	3	—	—	—	4	7
Nexxus	3	—	5	1	3	4
Sebastian	3	3	5	1	4	1
Vidal Sassoon	3	3	—	—	4	4
Mink Difference	2	—	2	1	3	4
Clairol Mist	2	3	—	2	7	—
Breck Lasting Hold	2	3	3	2	—	3
Redken	2	—	—	4	3	2

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 13: Incidence of use: styling gels

(Percent of women who have used a styling gel in the past month, by age groups)

	All women	13-17	18-24	25-34	35-49	50-plus
Used	28%	42%	38%	30%	31%	17%
Did not use	72	58	62	70	69	83

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 14: Frequency of use: styling gels

(Percent of women and their frequent use of styling gels over the past several years, by age groups)

	All women who use styling gels	13-34	35-plus
Use more frequently	62%	61%	65%
Use less frequently	12	15	8
Use about the same	25	24	25
No answer	1	—	2

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 15: Favorite styling gel brands

(Breakout by age group)

Brands	All women who use styling gels	13-34	35-plus
Dep Gel	10%	8	11
Paul Mitchell	7	8	7
Sebastian	7	7	8
Aqua Set Gel	5	10	—
Jhirmack	4	4	4
Clairol Kindness	3	2	5
L'Oréal Studio Line	3	3	2
Other L'Oréal products	2	4	—
Sassoon	2	1	2

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 16: Incidence of use: styling mousse

(Percent of women who have used a styling mousse in the past month, by age groups)

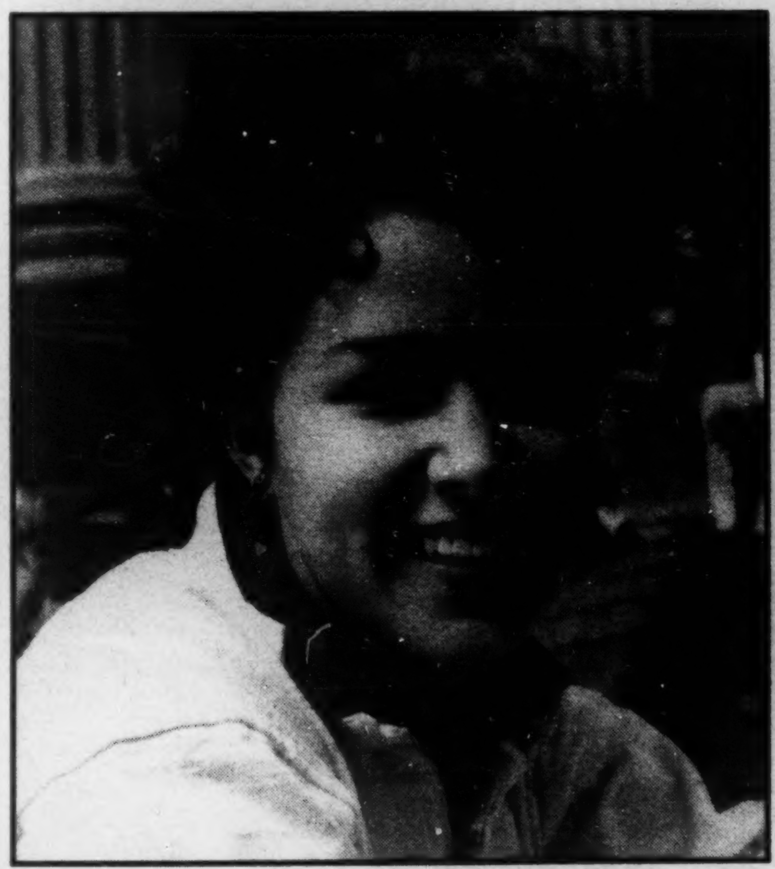
	All women	13-17	18-24	25-34	35-49	50-plus
Used	35%	50%	40%	44%	33%	24%
Did not use	65	50	60	56	67	76

Source: Drug Store News/Gallup Consumer Survey, 1988

Marketers recognize that teenagers and people under 24 use more hair care products than any other age segment in the nation. Young people are known to initiate and quickly popularize the latest "hot" hair care trends.

Notably, the popularity of music videos and MTV have enabled teens across the country to pick up on new styles almost simultaneously. Regional differences are downplayed.

The young adults shown here show off many of today's most popular looks. They are obviously buying lots of hair care product to achieve and maintain their appearance.



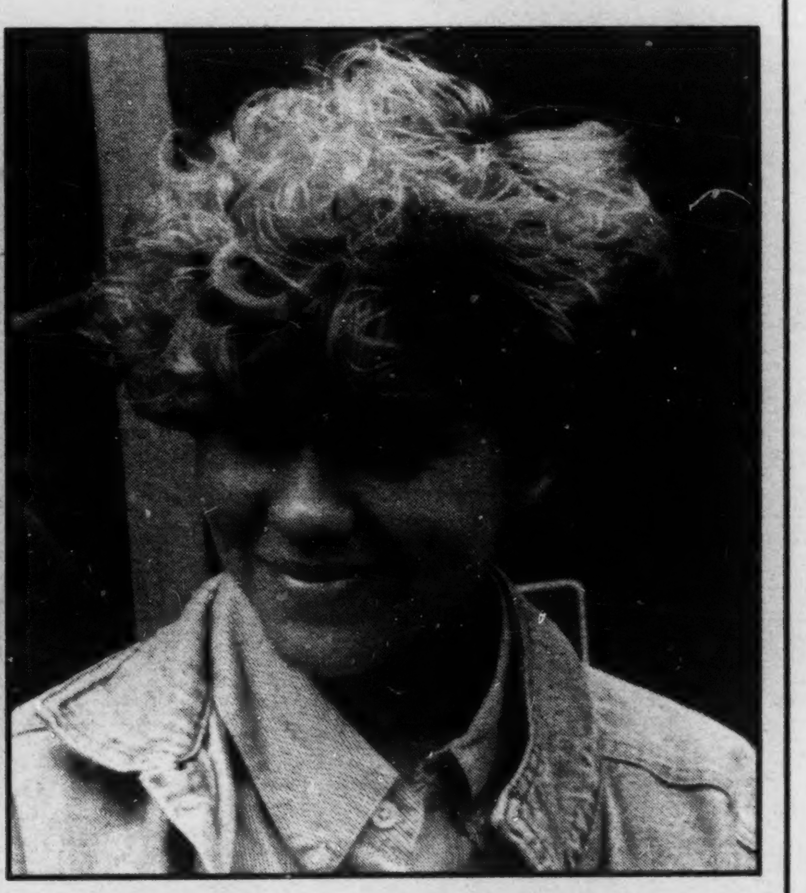


Chart 17: Frequency of use: styling mousse

(Percent of women and their frequent use of styling mousse over the past several years, by age groups)

	All women who use styling mousse	13-24	25-34	35-plus
Use more frequently	54%	43%	58%	57%
Use less frequently	21	28	13	21
Use about the same	24	28	27	21
No answer	1	1	2	1

Source: Drug Store News /Gallup Consumer Survey, 1988

Chart 18: Favorite styling mousse brands

(Breakout by age group)

Brands	All women who use styling mousse	13-24	25-34	35-plus
Clairol Condition	15%	9%	23%	14%
Vidal Sassoon	5	3	6	6
Paul Mitchell	5	4	9	3
Finesse	4	7	5	2
Alberto	4	8	2	3
Revlon Flex	4	—	4	6
White Rain	3	4	2	3
Suave	3	8	4	—
L'Oréal Free Hold	3	—	4	4
Aqua Net	3	7	2	1
Alberto Vo5	3	—	—	6
Jhirmack	3	3	2	3
Perma Soft	2	1	5	1
Sebastian	2	2	2	3

Source: Drug Store News /Gallup Consumer Survey, 1988

Chart 19: Incidence of use: styling spritz

(Percent of women who have used a styling mousse over the past month, by age groups)

	All women	13-17	18-24	25-34	35-49	50-plus
Used	13%	27%	23%	15%	14%	5%
Did not use	87	73	77	85	86	95

Source: Drug Store News /Gallup Consumer Survey, 1988

Chart 20: Frequency of use: styling spritz

(Percent of women and their frequent use of styling spritzes over the past several years)

	All women who use styling spritz
Use more frequently	62%
Use less frequently	14
Use about the same	22
No answer	2

Source: Drug Store News /Gallup Consumer Survey, 1988

Chart 21: Favorite styling spritz brands

Brands	All women who use styling spritz
Paul Mitchell	16%
Sebastian	12
Clairol	6
Stiff Stuff	6
Finesse	3
Jheri Redding	3
Revlon	3
L'Oréal	2
Vidal Sassoon	2
Redmond	2
TRESemmé	2

Source: Drug Store News /Gallup Consumer Survey, 1988

Women eye styling aids, upgraded hair care

Continued from page 74

most often preferred Final Net, with White Rain coming in second.

Girls, ages 13 to 17, liked White Rain and then Aqua Net, but Final Net and Rave were also frequently mentioned by girls in this age group as a preferred brand.

The most popular salon brand in this category was Paul Mitchell, with Nexxus, Sebastian and Redken also getting mentions.

After sprays, mousse is the styling aid with the longest time on the mass retail market.

Mousse use

Mousse brands have been around since 1983 when L'Oréal and Alberto Culver pioneered the segment.

Although mousse does not have as wide a usage base as sprays, it is still a growing segment, and most women say they are using more mousse now, then in the past.

According to Gallup, 35 percent of the women in our survey used a mousse in the past several years, and some 54 percent said they were using mousse more today than they have in the past.

Nearly six out of 10 women age 25 to 34 said they use mousse more frequently today.

The 13- to 17-year-olds were the biggest users of mousse, and half of the girls that age in our survey said they had used mousse in the past month. Forty-three percent of the respondents age 13 to 17 also said they were using mousse more often now than they had in the past.

Mousse, however, was also popular with women age 18 to 34. Nearly six out of 10 women age 25 to 34 said they use mousse more frequently today, and four out of every 10 of the 13- to 24-year-olds said they use it more often.

The favorite brands were Clairol Condition, Vidal Sassoon and Paul Mitchell.

Women age 13 to 24 preferred Suave, Alberto, Aqua Net and Finesse, while women 25 to 34 preferred Condition by a large margin. Older

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Coloring products are often displayed near cosmetics, to make it more convenient for women to shop for their total appearance.

Women eye styling aids, upgraded hair care lines

Continued from page 76

women also liked Condition, as well as Vidal Sassoon, Revlon Flex and Alberto Vo5.

Gel use

Gels came on the marketplace about two years after mousse, but their usage is growing even more dramatically right now.

A total of 28 percent of the women in our survey said they have used a gel in the past month, and 62 percent said they were using gels more frequently now than in the past.

The heaviest users were again the 13- to 17-year-olds, but more than a third of all women 18 to 49 also said they had used them in the past month. Two-thirds of the women in every age group also said they were using gels more frequently today than in the past. Dep Gel earned the most votes as the preferred brand.

Spritz growing

The styling spritz, which has only been available on the mass retail market for about two years, had the smallest incidence of use. Just 13 percent of the respondents said they had used a spritz in the past month, and most of the users were between the ages of 13 and 24. However, 62 percent of all users said they were applying spritz more frequently today than they ever had in the past.

The favorite brands were Paul Mitchell, Sebastian, Clairol and Stiff Stuff.

Where women buy

In a surprising finding, the most common place for women to buy styling aids was in their local beauty salons. More than two out of every 10 women said a salon was where they most often bought their hair styling products.

Just 17 percent said they most often bought them in regular drug stores, and only 16 percent said they most often bought styling aids in discount drug stores. Food stores got another 17 percent of the most often purchases, and discount stores got 11 percent.

The 13- to 17-year-old age group was the most likely to shop a drug store for a styling aid product, and the 18- to 34-year-olds were the most likely to shop beauty salons.

The findings indicate there is clearly an opportunity to take business away from beauty salons if drug store retailers can convince shoppers that they have a good selection of the high performance brands.

How women choose

Eight out of 10 women surveyed said they chose a store for a styling aid purchase because of its "convenience or price."

But nearly nine out of 10 women told Gallup that they would buy professional hair care products at retail "if they were available and had lower prices than whatever the salons charged."

Women also said that they would consider drug stores to be more attractive places to buy hair styling products if they "had better and more competitive prices, gave more variety and selection, and carried better brands."

Chart 24: Shoppers who would buy professional hair products at retail if they were available and cost less*

	Percent of shoppers who would buy professional styling aids at retail
Would buy	86%
Wouldn't buy	9
Don't know	5

* Asked of women who most often buy their styling aids in a beauty salon.

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 22: Where women most often buy hair styling aids

(Breakout by age group)

Types of stores shopped	All women who uses hair styling products	13-17	18-24	25-34	35-49	50-plus
Beauty salons	22%	16%	27%	31%	18%	18%
Regular drug stores	17	27	18	14	16	16
Food stores	17	28	20	17	11	14
Discount drug stores	16	14	8	15	19	18
Discount mass merchandisers	11	7	3	11	16	11
Department stores	8	3	11	7	9	8
Specialty stores	2	—	4	3	1	2
Door-to-door	1	—	—	—	—	4
Mail order	1	—	2	—	—	1
Mass general merchandisers	1	2	—	—	1	—
Other	1	—	—	—	3	1

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 23: How hair styling aids shoppers pick their stores

(Breakout by shoppers)

Reasons for shopping this store	All women who use styling products	Drug store shoppers	Food store shoppers	Deep discount drug stores	Beauty salons
Convenient to home or work	43	55	78	27	41
Lowest prices	37	36	18	71	8
Selection and variety	8	6	1	9	11
Only place that carries my brand	6	4	—	—	21
Good service	4	2	3	4	6

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 25: How drug stores can be the place consumers shop for their hair styling aids

(Breakout by age group)

Give shoppers:	All hair styling product users	13-17	18-24	25-34	35-49	50-plus
more competitive pricing	22%	21%	20%	26%	27%	16%
more variety and selection	12	21	11	14	13	7
better brands	9	8	4	16	5	8
a more convenient location	5	4	4	3	1	8
better service	4	2	4	—	9	4
more samples	3	—	4	2	3	5
more POP aids; become more colorful	2	1	2	2	1	2
a less hectic environment	1	1	3	—	1	1
faster checkouts	1	—	3	1	—	1
Fine as they are	19	8	12	23	25	20
Other	2	6	5	2	1	1
Don't know	24	33	33	14	17	28

Source: Drug Store News/Gallup Consumer Survey, 1988

Professional products continue to be one of the fastest growing segments in hair care this year.

Chart 26: Incidence of use: nail treatments

(Percent of women who have used a nail treatment product in the last month, by age groups)

	All women	13-17	18-24	25-34	35-49	50-plus
Used	29%	38%	39%	24%	32%	22%
Did not use	71	61	61	76	68	77

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 27: Frequency of use: nail treatments

	All women using treatments	13-34	35-plus
Use more frequently	33%	37%	30%
Use less frequently	18	18	17
Use about the same	49	45	53

Source: Drug Store News/Gallup Consumer Survey, 1988

Gallup: Nail treatments, artificials remain popular

In the nail care segment of color cosmetics, treatment products and artificial nails are two of the strongest growth areas.

Treatment sales are up 25 percent over last year at this time, buyers said, and although artificial nail sales are peaking, they still account for a healthy percentage of total chain drug nail care sales.

Oddly enough, the growth in popularity of the artificial nail has dramatically helped the treatment category.

As more women wear artificial nails and as they wear them more frequently, they tend to expose the nail bed to damage, and then they find they need nail treatment products to cure or prevent the problems.

So treatment sales, to a large extent, have been growing on the figurative coat tails of the artificial nail segment.

However, there are also lifestyle trends at work that help the treatment category. As many cosmetics buyers like to point out, many more women work today, and many of them like to glamorize their nails to give themselves a more professional and cosmopolitan image.

Women also say they feel better about themselves when their nails look attractive.

To some extent, the Gallup survey this year documents these trends. Gallup found that 31 percent of all women who use artificial nails said they are using them more often today than several years ago, while 24 percent said they are using them about the same.

However, Gallup also found that artificial nails may be starting to decline in popularity, as some chains are now reporting. Four out of 10 users, for example, reported they were using artificial nails less frequently today than they were several years ago. Just 16 percent of the women surveyed said they had used artificial nails in the past year.

Oddly enough, the growth in popularity of the artificial nail has dramatically helped the treatment category.

However, when women use artificial nails, the majority tend to buy the nails at retail and to put them on themselves. Only 21 percent of the respondents said they had their nails applied in a beauty salon, compared to 71 percent who said they applied them themselves at home. Just 6 percent said they did both.

The favorite retail brand was overwhelmingly Lee Nails. A total of 59 percent of the users responding said they preferred Lee Artificial Nails, and another 10 percent said they favored the Miss Lee Nails, which are designed for children.

When comparing usage of artificial nails to usage of nail treatment products, however, treatments turn out to be the most heavily-used segment. According to Gallup, 29 percent of all women surveyed used nail treatment products, and the heaviest user groups were women between the age of 13 and 24 and 35 and 49.

More than a third of all

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Chart 28: Favorite nail treatment product brands

(Breakout by age group)

Favorite brands	All women who use nail treatments	13-34	35-plus
Revlon	18%	17%	20%
Sally Hansen	18	24	14
Avon	14	14	13
Cutex	5	3	6
Maybelline	2	3	1
La Salle 10	2	1	2

Source: Drug Store News/Gallup Consumer Survey, 1988

Gallup: artificial nails, treatments

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women also reported using nail treatment products more frequently today than several years ago, while less than two out of 10 reported using them less frequently.

Revlon and Sally Hansen were tied neck and neck as favorite brands, while Avon was also often mentioned as a favorite.

Women in the survey most

Continued on page 102

Chart 29: Incidence of use: artificial nails

(Breakout by age groups)

% of Women who have used artificial nail products in the past year	All women	13-17	18-24	25-34	35-49	50-plus
Used	16%	33%	37%	10%	13%	10%
Did not use	84	67	63	90	87	90

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 32: Where women have their nails applied

	All women using them
Self-applied	71%
Beauty salon	21
Both	6
No answer	2

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 33: Favorite artificial nail product brands

Favorite brands	All women who apply artificial nails by themselves
Lee Nails	59%
Miss Lee	10
Sally Hansen	4
Kristy Wells	3
Fingers	2

Source: Drug Store News /Gallup Consumer Survey, 1988

Chart 30: Types of artificial nails women are wearing

% of Women*	All women who used artificial nail products in the past year
Press-ons	18%
Sculptured	10
Nail tips	9
None	63

*Among women who use artificial nails

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 31: Frequency of use: artificial nails

% of Women changing frequency of use of artificial nails over the past several years	All women who used artificial nail products in past year
Used more frequently	31%
Used less frequently	42
Used about the same	24
No answer	3

Source: Drug Store News/Gallup Consumer Survey, 1988

Chart 34: Where women most often buy nail products

(Breakout by age group)

Types of stores shopped	All women who use nail products	13-34	35-plus
Regular drug stores	29%	35%	24%
Discount drug stores, i.e. Drug Emporium	16	10	21
Discount mass merchandisers, i.e. K mart	16	11	20
Department stores, i.e. Macy's	8	9	6
Beauty salons	7	9	6
Food stores	7	7	7
Door-to-door	5	8	3
Mass general merchandisers, i.e Sears, Penney	3	4	1
Specialty stores	2	—	4
Mail order	—	1	—
Other	1	1	—

Source: Drug Store News /Gallup Consumer Survey, 1988

One treatment begets another in nail care

Eye on the
Marketplace
Bernice
Kanner

It was so simple in the days when Madge, the Palmolive lady, told us to soak our hands in dishwashing liquid. Nowadays, marketers of nail care products have other, far more complicated ideas.

In the "an apple a day keeps the doctor at bay" tradition, and with the help of chemists and market researchers, marketers are making the time-file-and-buff history, while ushering in the era of cuticle massage creams, night nail defenses, and protective coats and glazes that battle brittleness and breakage. Now, following the high-end skin treatment trail, there are dozens of new nail treatment products, dramatic increases in shelf and advertising space to sell them, and millions more tailored hands shelling out millions more dollars to the new Midases (but unable to undo shoe lace knots or pull on pantyhose fearlessly.)

Last year, products designed to lengthen, strengthen and beautify the horny plates that protect fingertips raked in $750 million, more than 50 percent more than their sales five years ago. By the end of this year, nail care product sales should reach $875 million, and by 1992 they should climb to $1.3 billion, said David Weiss, president of Packaged Facts.

Credit the new product avalanche, its domino effect and the new receptivity of self-confident women, said Weiss. More than 100 new nail care products were introduced last year—and even more are expected this year—compared to 31 in 1984. Many attracted new customers to the market.

Once in the market, many women added to their trove, voluntarily or otherwise. "Once women put on lacquer, they have to take it off, they focus on their hands, and that instigates a snowball effect where one treatment begets another," said Nick Mottola, director of marketing development at Elizabeth Arden. At the same time, so many of the products damage nails, (lacquers can stain and artificial nails can damage the nail beds) so women must turn to remedy products. "It's like after you've had your hair colored, you're forced to use repair products," said Mottola.

The fact that manicure madness has flourished in salons within the last few years suggests the home market will boom even more. This year some 160,000 technicians nationwide will manicure almost 81 million pairs of hands (at an average of $8.20), or roughly 9.2 percent more than the 74 million they manicured in 1987, says Jody Byrne, editor of *American Salon Magazine*. (They will also administer about 19 million pedicures at an average cost of $16.95.)

The ripple effect

Still, only two percent of women get a professional manicure weekly, 17 percent occasionally, and 81 percent never. "The ripple effect means that this year treatment sales should grow 20 percent and become, by itself, a $600 million segment," said Paul Spindel, vice president at Revlon. He added that the action is mainly in the mass market, bypassing the prestige lines which usually set the pace.

And what a pace it is. Max Factor's Second Nail, a nail saver launched last year, "is a runaway hit," declares product manager Sharon Levan. Nails Again, a $10-a-bottle, one-step restorative, has seen sales climb 180 percent since its introduction last year, prompting developer Raymond Cohen to promise a $27 cuticle mousse in September.

Cutex now has cuticle moisturizer and vitamin-packed nail developers. Cover Girl has hardeners and healers, including a ridge filler primer and glaze for tiny flaws and white spots. Revlon has an 11-product Neat Touch line which includes disco-pads (two-faced pink files) and black beauties (emery boards especially designed for fake nails), as well as an enamel correcting pen that erases errors and a calcium gel nail builder.

Avon's Ultra Touch line comes with mending tapes and a nighttime defense that "restores moisture to dry, distressed nails while you sleep." Chanel has instant thickeners, Christian Dior has lubricating oils, and Sally Hansen has Renew a Nail, night-time revitalizer, and Nail Therapy, a conditioning and repair gel.

Although treatments are the hot growth area, polish is the far larger segment and the reason people buy. Today's color customers insist on conditioners in the enamel, greater durability, and easy application, said Barbara Jasinski, group director of Cutex. In the meantime, however, they're glitzing up the enamel packages they have with custom glass, bread-faced bottles (instead of the typical round cylinder), and splashy graphics.

Ads tout more than colors

The manufacturers are advertising more than just the colors. Revlon touts its long lasting quality, color and shine, but also its pen delivery system. Maybelline shows a cue ball finish, and Max Factor—after excellent test market results—contends that its enamels are diamond hard. Avon argues that no lacquers wear better.

Perhaps more important now than segmenting sales is uniting women in the pursuit of treatments, suggested Spindel. "We want to get the message across that a treatment line is to the decorative end what a brush is to a comb, a horse to a carriage, even water to soap, that is, obvious coupling."

Bernice Kanner is a senior editor with New York *magazine.*

Fragrant scents stir today's youth toiletry purchases

By Irma Zandl

Fragrance is all-powerful for the young. Not only is it an integral part of looking and feeling good, it also figures predominantly in the purchase of toiletry items.

Many of the teens and pre-teens interviewed frequently mention Finesse shampoo and Secret deodorant as favorites because of their particular scents.

To find out which perfumes and colognes were turning young people on, we took a national poll of 100 young people aged 14 to 25.

We asked them a series of questions, including the following:

- What fragrances they were presently wearing;
- What they look for in a scent;
- How often they wear fragrances;
- Whether they are self purchases or gifts:
- Where they shop;
- How much they normally spend;
- Their preferences in terms of fragrances for members of the opposite sex;
- Ad recall; and
- What fragrances they were wearing a year ago.

These findings reveal two strong trends:

1. The widespread and growing popularity of upscale fragrances: Over 70 percent of the girls in our poll were wearing department store brands.
2. The vitality and potential of the men's market is finally asserting itself. Young men today are increasingly using more cologne as one way of enhancing their appeal. Also, over 50 percent of the female panelists had bought fragrances for their boyfriends.

Leading women's brands

Kim, 17, from Newburgh, N.Y., wears Halston which she received as a gift from her parents.

Over 20 percent of the panelists were wearing Anais Anais. Poison was next in popularity worn by 16 percent of the panelists.

Giorgio was third with 15 percent of the panelists saying they wore that scent; Lauren was favored by 13 percent of the panelists, and Obsession and Chanel No. 5 were each worn by 11 percent of the panelists.

The appeal of these brands is due to their originality and "differentness", in terms of their scents and in terms of their advertising and imagery. In all cases, there is also great consistency between these three elements. The typical drug store's ambiance is not conducive to selling luxury/fantasy products.

Alternative Designer Fragrances (ADFs) frequently are worn in conjunction with the expensive original. These brands are generally referred to by the original designer fragrance brand name.

Musk retains its popularity with this segment. Leading musk brands include Coty's Wild Musk and Love's Baby Soft, both worn by 8 percent of the panelists. Usage declines as the girls get older.

Key to any purchase is the way a fragrance smells. Precisely 28 percent of the panelists said they preferred a floral scent, while 26 percent said they favored a "sweet" scent.

Another 15 percent of the girls said they look for fragrances that are "light, not heavy", and 13 percent look for "soft" fragrances.

Self purchase vs. gifts

Self purchase of fragrances increases with age as does usage.

Almost 75 percent of the 20 to 25 age group use fragrance every day, compared to the 57 percent of the age group 16 and under who say they use a fragrance every day.

The under 16-year-olds also rarely buy fragrances for themselves. A mere 29 percent of them said they self-purchased fragrances. However, 35 percent of the youngsters this age do purchase fragrances as gifts.

By the time they are in the 17- to 20-year-old age bracket, 64 percent of young women are purchasing their own fragrances. They are also twice as likely as the younger group to buy fragrances for boyfriends.

Rich's, Macy's, Lazarus, and Belk's were among the department stores mentioned as frequent places of purchase for fragrances. In the drug store market place, Walgreens, SupeRx, Osco and Fred Meyer were mentioned.

Typically young women buy small to medium-sized sprays ranging in price from $30 to $40 for department store brands and they spend between $8 and $10 for the mass brands.

Brand Loyalty

Brand loyalty is built at a relatively early age, with most experimentation taking place among 18- to 20-year-olds.

For example, 80 percent of the 20- to 25-year-old age group had been wearing some of their current favorite brands a year ago, but only 50 percent of the 16- to 20-year-olds said they were wearing the brands they favor today as far back as a year ago.

Obsession had the greatest recall. Over 46 percent of our panelists remembered the Obsession ad and commented on its sexiness.

Poison was recalled by 31 percent of the panelists, but their ads particularly appealed to the majority of our panelists in the 12- to 16-year-old age group. Exactly 57 percent of the panelists in that age group remembered the Poison ads and said they were intrigued by the styling and the "gloomy mood" of the ad. Of the mass brands, only Coty's Wild Musk was recalled with any frequency.

Although nearly all the young women were able to recall specific brand advertising, there was found to be little correlation between recall and usage.

For example, Anais Anais, the leading brand among our panelists, had very little unaided recall. However, Obsession, which 11 percent of our panelists said they favored, was recalled by almost 50 percent of the panelists.

Men's fragrance market

Encouraged by their girl friends and by their mothers to wear fragrances, the majority of young men age 14 to 25 are now wearing cologne at least on a "special occasion" basis.

We see a radical shift in how men's grooming and primping is perceived.

Since today's young men routinely wear earrings, and bleach and dye their hair, the wearing of fragrances is no longer associated with a lack of manliness.

Again, and perhaps as a result of female influence, department store brands are favored by the majority of users.

Twenty-two percent of the male panelists said they usually wear Polo, 11 percent named Drakkar Noir and 8 percent said they wear Obsession For Men.

The most frequently mentioned mass brands included English Leather (worn by 11 percent), Chaps (8 percent), and Jovan Musk (6 percent).

Ad recall, other than for Obsession and Polo, is limited, as is the exposure of most young males to fragrance ads.

Irma Zandl is president of Xtreme, Inc., a New York-based consulting company specializing in youth marketing.

Teenagers become important people for chain drug stores

Teenagers are important customers for chain drug stores.

According to our Gallup cosmetic user survey implemented this year, 27 percent of all young women ages 13 to 24 buy moisturizing products in regular drug stores and 16 percent buy their styling aids in drug stores. One in every 10 cosmetic users ages 13 to 24 also shop discount drug stores for beauty products like moisturizers and hair styling products.

The study found that six out of every 10, 13- to 24-year olds use moisturizers and most women this age say they are using items like moisturizers more often now than they were several years ago.

In another study done by *TEEN* magazine in Los Angeles, researchers found other evidence of teenage use of cosmetic products growing in intensity.

According to the *TEEN* survey, teenagers are using makeup at earlier and earlier ages, and they are using an increasingly wide variety of products.

TEEN found that:

- 86 percent of all teenagers were wearing makeup by age 13; and
- 87 percent and more are currently wearing the following: face powder, blusher, lipstick, lip gloss, eye shadow, eye liner and mascara.

TEEN found that most teenagers were using these products "daily."

TEEN also discovered that about 67 percent of all teenagers wear different makeup for different occassions, and 50 percent change their makeup with the season.

Most teenagers, about nine out of every 10, *TEEN* says, purchase their own cosmetics or they specify to their parents the brand they want.

The *TEEN* survey also found that magazines are the primary media through which teenagers learn about cosmetics and cosmetic products. Friends are a "distant" second source of information while television is a far distant third for information on cosmetics and ranks sixth as a purchase influence.

TEEN found that 60 percent of all their respondents were 12 or younger when they first started wearing makeup, and that face powders, blush, eye shadow, eye liners, mascaras and lipsticks or gloss were the most frequently used products.

About half of all teens said they used these products seven times a week or more.

Nearly seven out of 10 of all the respondents also told *TEEN* that they wear different makeup for different occasions such as school, weekends and evenings.

- 57 percent said they changed their make up with the changing seasons;
- 76 percent, also say they wear more than one shade of eye shadow at a time;
- 24 percent said they use more than one shade of blush for contouring;
- 55 percent said they use a lipstick and pencil or a clear gloss together; and
- 90 percent estimated that they wore from between a light to a medium amount of makeup.
- 60 percent of the respondents said they had purchased cosmetics in a drug store at least sometimes; but department stores were also sometimes shopped for cosmetics, and 60 percent of the respondents said they had bought cosmetics in these types of stores.
- Only 23 percent said they sometimes shopped grocery stores for cosmetics and just 3 percent said beauty salons. Ten percent did buy cosmetics door to door, however, and 16 percent used mail order catalogs.

Two out of 10 said they also shopped beauty supply stores for cosmetics.

More than half of all teens said they usually spent between $2 and $4.99 a month on cosmetics, but a fifth to a quarter of the teens said they spend between $5 and $10.99 per month on cosmetics.

TEEN used a mail questionnaire for its survey. They had a response rate of 62 percent to a March mailing of 1200 questionnaires. They tabulated 500 responses to produce the results of their report.

Eighty-six percent of the responses came from young women ages 13 to 18, while 10 percent came from female children 12 and under. Four percent of the responses were from women 19 or older.

How teens use cosmetic products

Category	% using segment
Foundations	71.2%
Concealers	75.1
Powders	89.5
Blush	96.5
Lipstick	91.6
Lip gloss	96.8
Lip pencil	20.2
Eyeshadow	98.2
Eyeliner	90.5
Mascara	87.3
Brow pencil	10.4

Source: TEEN Magazine's TRG Research

Where teens buy cosmetics

Retail Segment	percent of respondents
Drug stores	59.1%
Department stores	59.4
Grocery stores	22.7
Beauty supply stores	22.7
Mail order	16.2
Door to door	10.2
Beauty salons	3.0
Other	3.5

Source: TEEN Magazine's TRG Research

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Chart 35: How nail product shoppers pick their stores

(Breakout by shoppers)

Reason for shopping this store the most often:	All women using nail products	Regular drug store shoppers
Convenient to home or work	38%	46%
Lowest prices	36	34
Selection and variety	12	12
Only place to carry my brand	8	7
Good service	5	—

Source: Drug Store News /Gallup Consumer Survey, 1988

Chart 36: What drug stores can do to be better places to shop for nail care products

Give:	All women who use nail products	13-34	35-plus
more competitive pricing	18%	18%	18%
more variety and selection	15	16	13
better brands	8	5	10
more convenient location	6	2	10
better service	5	1	8
more samples	4	5	4
more colorful displays/use more point of purchase aids	2	3	1
faster checkouts	1	1	—
a less hectic environment	1	1	—
Nothing; fine as they are	20	19	20
Other	2	3	—
Don't know	21	25	17

Source: Drug Store News /Gallup Consumer Survey, 1988

Gallup: artificial nails, treatments

Continued from page 84

often named drug stores as the store they shopped the most frequently for nail products. Discount drug stores and discount/mass merchandise stores were also popular places to shop for nails, especially for women 35 and older.

Convenience, price and selection were the reasons most women gave for choosing a favorite store, but service was not an important issue with most nail care shoppers.

There were two things that nail product buyers said they would like drug stores do more of: "price more competitively and carry a broader selection of product."

A fifth of the respondents said drug stores didn't have to do anything else to be more attractive places to shop. They were "fine as they are."

Category in Motion

Helene Curtis has scheduled a series of promotions to celebrate the 50th anniversary of its Suave hair care line.

A two-page, full-color FSI will run in late July, reaching 43 million consumers nationwide with savings of more than $86 million dollars.

The insert's "Celebrate with Suave" theme offers four 50-cent coupons for the entire family of Suave products.

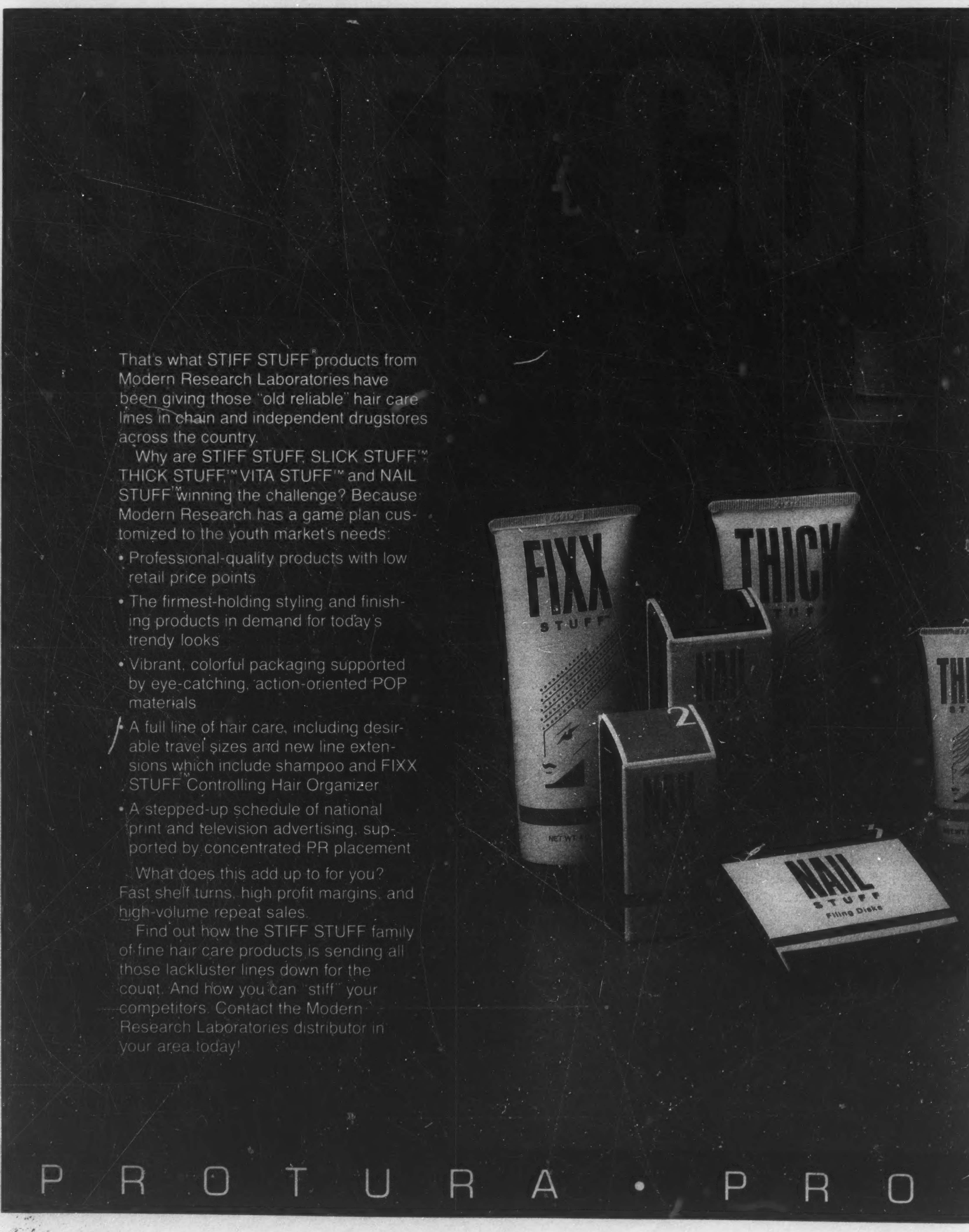
In addition, Suave is also offering a $2 cash refund to consumers purchasing any combination of two Suave products, including 24-ounce shampoo or conditioner, 15-ounce skin lotion, 12-ounce hair spray, or 8-ounce mousse.

Consumers can find additional savings if they take advantage of 25-cent cross coupons, which will be good toward the purchase of any Suave anti-perspirant/deodorant or Suave styling aid.

There are instantly redeemable coupons that will be featured on Suave Shampoo and Conditioner in July and August. Prepacked pallet and floor displays are also available for the summer.

Television ads are planned for daytime and prime time programming throughout the summer of 1988.

Print ads ads in leading women's magazines will also support the Suave anniversary message.


That's what STIFF STUFF® products from Modern Research Laboratories have been giving those "old reliable" hair care lines in chain and independent drugstores across the country.

Why are STIFF STUFF, SLICK STUFF,™ THICK STUFF,™ VITA STUFF™ and NAIL STUFF™ winning the challenge? Because Modern Research has a game plan customized to the youth market's needs:

- Professional-quality products with low retail price points
- The firmest-holding styling and finishing products in demand for today's trendy looks
- Vibrant, colorful packaging supported by eye-catching, action-oriented POP materials
- A full line of hair care, including desirable travel sizes and new line extensions which include shampoo and FIXX STUFF™ Controlling Hair Organizer
- A stepped-up schedule of national print and television advertising, supported by concentrated PR placement

What does this add up to for you? Fast shelf turns, high profit margins, and high-volume repeat sales.

Find out how the STIFF STUFF family of fine hair care products is sending all those lackluster lines down for the count. And how you can "stiff" your competitors. Contact the Modern Research Laboratories distributor in your area today!

Avenue Road design paves the way for Shoppers

Beauty Beat

Elizabeth Parks

Shoppers Drug Mart is revamping its prototype for new stores, and in the process, adopting a new decor package and store layout meant to highlight cosmetics while bringing the stores "into the 1990s."

Last year, Shoppers opened a store on Avenue Road in Toronto that Shoppers execs say will probably be the prototype for most future Shoppers, as well as the prototype for most remodels of all "A" stores in the Shoppers chain.

The Avenue Road store, a high-volume "A" store in an upper income market, has a new signing package: new corporate interior and exterior colors of red and white, and a new layout and design for cosmetics.

Arthur Konviser, vp-public affairs for Shoppers Drug Mart, says the new colors are "very professional. They make us look like an exciting retail entity."

The "A" prototype design eliminates the side entrance that Shoppers used to have for all its stores. In place of the side door, Shoppers will now have a central entrance with a lobby.

In the old design, customers entered the store and walked right into the power aisle. The cosmetics department was in the center of the store, but customers had to go down the power aisle and then back to the center to get to cosmetics.

In new and in most retrofitted "A" stores, the entrance will now lead right into cosmetics. In some stores, Shoppers may continue to open with their power wall of health and beauty aid products. A final decision has not yet been made.

"We always did try to single out the cosmetics department," says Konviser, "but this new design makes the department even more prominent."

The old cosmetics department was black and white, with a lot of chrome, dark tinted mirrors, and photographs of models as graphic elements.

The new cosmetics department will be all white.

Bill Pacey, Shopper's vp-operations, describes the old department as "being more of the '60s. We used modified off-rack fixtures that looked like they could be any store fixture anywhere.

"We're now going with a fixture that will be unique to Shoppers and at the same time look like it is dedicated to a service cosmetic department," said Pacey. "It's a look that's made to work the way we do."

Pacey said the photographs will be eliminated because they "date very rapidly, and because they feel more like a design element of the '60s rather than the '80s and '90s."

Shoppers will now use a fixture made of light metal louvres and low voltage lights as an overhead for the department.

"We wanted an overhead in cosmetics so we could make the statement that cosmetics were special in our stores," Pacey said, "but we wanted it to be simple, not like the photos that could detract from the products."

"We also wanted to put in incandescent lights so we could highlight the products and their various colors, but we went with low voltage because it could give us energy cost savings," said Pacey.

The service cosmetic bullpens at Shoppers, which are in nearly every store, will go directly under the overhead louvre.

Shoppers will also create lower profile gondolas in the cosmetics area. The chain will eliminate the four 72-inch display "towers" that anchor the rectangular cosmetic boutiques.

They will be replaced by towers of the same height, 36 inches, as the counter.

Barbara Brocklebank, Shoppers vp-cosmetics, explains that "giving such a high profile to promotional items created a cluttered presentation. The displays were so high, we tended to put a lot of product in to fill them, and that meant that no brand really stood out. As a result, the displays had no brand identification.

"Now we're going to be able to highlight specific brands in each promotional corner," she said.

Shoppers is also testing new fixtures from Revlon and Max Factor, and Brocklebank said that "whenever there is space, we will probably use one or both of them in new and remodeled stores. They give us the opportunity to merchandise these lines together instead of partly on the wall and partly in the cosmetic case."

Brocklebank says shoppers will probably retrofit 50 new prototype stores this year, and about the same number in 1989. She says the upgrading will continue "on a regular basis."

Pacey said that in the four months since the "A" prototype has been in the Avenue Road store, the cosmetic department has been averaging between 10 percent and 12 percent of total store sales. Cosmetics usually average about 9 percent of store sales, so the increase is a significant accomplishment.

A *Drug Store News* exclusive: Vereen tracks skin care ads

The information in this skin ad tracking report was supplied by Vereen & Associates, a management and marketing consulting company based in Indianapolis.

Vereen & Associates currently tracks 100 percent ad activity on 40 drug store product categories. The service currently monitors the print ads of most of the nation's top 45 drug chains.

The information in this chart may be used to identify the most frequently promoted brands in the skin care category, and also to compare the most recent advertised prices on popular brands by chain and by market.

The ads in this special report appeared in newspapers and circulars in the fall of 1987.

Vereen's definition of the skin care category included bath soaps and bath beads as well as lip balms, moisturizing creams and lotions, sun care products, and medicated creams and lotions.

Chart 1: Chain drug store's most frequently advertised skin care brands

Brands	Category	Percent of all skin care ads
Neutrogena	Lotions and creams	5.0%
Oil of Olay	Lotions and creams	5.0
Vaseline	Lotions and bath beads	5.0
Soft Sense	Lotions and body mousse	4.2
Jergens	Lotions and soaps	3.9
Noxema	Acne medication/cold creams	3.3
Keri	Lotions	3.0
Nivea	Lotions and creams	3.0
Chap Stick	Lip balm	2.4
Sea Breeze	Sensitive skin care	2.1
Clearasil	Acne lotion	1.8
St. Ives	Skin lotions, creams and toners	1.8
Oxy 10	Acne medication	1.8
Eucerin	Lotions and creams	1.5
Total for above brands as a % of all chain drug skin care ads		43.8%

Source: Vereen & Associates; research conducted in fall, 1987

Chart 2: Chain drug store ad prices for skin care products

Brand	Size	Chain	Ad price	Market
Jergens Reg./extra dry	10 oz.	Pay 'N Save	$1.69	Calif. and Wash.
Jergens Reg./extra dry	10 oz.	Page Drug	1.49	Texas
Keri Reg./scented/silky	13 oz.	Page	4.99	Texas
Keri Reg./scented/silky	13 oz.	Peoples	5.99	Washington, D.C.
Neutrogena Emulsion	5¼ oz.	Rock Bottom	3.84	N.Y.
Neutrogena Emulsion	5¼ oz.	Peoples	3.99	Washington, D.C.
Nivea Visage	2 oz.	Super Service	5.29	Ohio
Nivea Visage	2 oz.	Eckerd	4.88	Fla.
Oil of Olay Beauty Fluid	4 oz.	Bud's	3.99	Washington, D.C.
Oil of Olay Beauty Fluid	4 oz.	Fay's	4.44	N.Y.
Oil of Olay Beauty Fluid	4 oz.	CVS	4.37	R.I.
Soft Sense Lotion	15 oz.	Walgreens	2.19	Ill.
Soft Sense Lotion	15 oz.	Osco	2.19	Ill.
Soft Sense Lotion	15 oz.	Drug Mart	1.99	Ohio
Vaseline Intensive Care Lotion	20 oz.	Longs	2.69	Calif.
Vaseline Intensive Care Lotion	20 oz.	Bud's	1.99	Washington, D.C.

Source: Vereen & Associates

Deep discount drug stores like Drug Emporium (right) have a double appeal to shoppers: they discount the best selling brands and they merchandise the best sellers in a clean, attractive department, plus they often provide service assistance to shoppers trying to decide what to purchase.

Specialists sought for aggressive photo marketing

With average sales increases of 10 percent for their photo-video departments in 1987, and camera and film manufacturers keeping the heat on in their quest for new product breakthroughs, the nation's drug chains continue to reap the rewards of the amateur photography boom of the 1980s.

Photofinishing, film and camera sales remain on the rise at chain drug store photo counters, in spite of the growth of one-hour minilabs and the increasing incursions of supermarkets and discount stores into the photofinishing market.

Nevertheless, say drug retailers, the days of automatic sales increases at the photo counter are over. More and more drug chains are turning to photo marketing specialists to drive their photo services more aggressively, creating or expanding positions for photo department marketing managers and boosting advertising support for the category.

"Those who promote aggressively, offer convenient locations and market quality in their photofinishing, as well as price, will do well," said one photo marketing manager for a major drug chain.

"The business is more and more competitive," added another chain executive.

Supermarkets, in particular, are making greater inroads in photofinishing and film, and many are beginning to market cameras as they broaden their reach with combo stores and superstores.

Another aggressive photo retailer is King Soopers, the leader in food and drug retailing in Denver, with 67 combo stores operating along Colorado's Front Range. The chain opened its own photo processing plant 15 years ago, and remains the only supermarket retailer with its own large-scale developing facility.

King Soopers makes a point of advertising that fact, according to photo marketing manager Pat Greaser. Last month, it even featured a photo of its plant crew in its regular ad circular.

"We definitely believe in what we've done," Greaser said. "With our own developing plant, the profitability is there, and we can offer better service to our customers. We have total control over the quality of our prints, and more control over photo marketing events we want to create. Having our own plant gives us more promotional flexibility; we're not restricted like we would be with an outside wholesaler."

It also allows King Soopers to undercut many of its competitors in developing prices. For the chain's regular, one- to three-day service, processing for a roll of 24-exposure 35mm or 110 film carries an everyday price of $3.79. Developing price for a 36-exposure roll is $4.99; disc film is processed for $2.79.

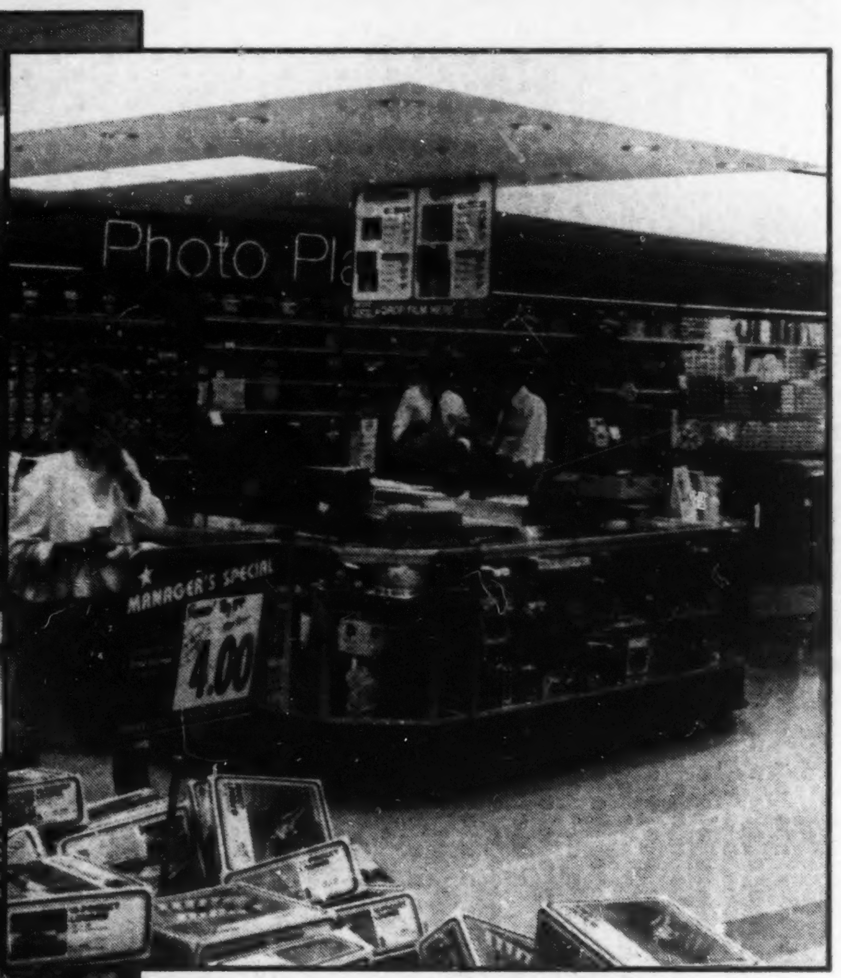
The chain also offers rapid one-day service in all stores, seven days a week. The cost is just 50 cents extra a roll. (At the same service counter, King Soopers customers can also rent videos at all 67 stores).

On-site processing is also being unveiled by several grocery chains, including Safeway, Kroger (in its new Welcome super warehouse store), and Publix. While Publix owns and operates its own in-store labs, Safeway relies on an outside specialist. The chain leases store space to Your Image Center, a minilab operator based in Walnut Creek, Calif., which provides Safeway with prefabricated booths of about 200 square feet, staffed by an employee of Your Image Center.

The system is similar to one employed in a short-lived, two-store test of on-site minilabs by Longs Drug Stores in Redwood City, Calif., several years ago. Although the project was abandoned as too costly and unprofitable after a short time, Longs is among many drug chains which are again considering in-store labs, now that equipment prices have come down and labs have become easier to install and operate.

Publix has opened a dozen in-store labs in newer and larger combo stores in its home Florida market, offering the on-site developing service at a discount to its outside, longer-term lab services. A Publix spokesperson said that outside lab volume has gone up 30 to 35 percent in stores which offer the one-hour on-site service, due to the increased customer awareness the high-profile in-store labs generate. Publix has also boosted its 35mm customer base in stores with mini-labs, she added.

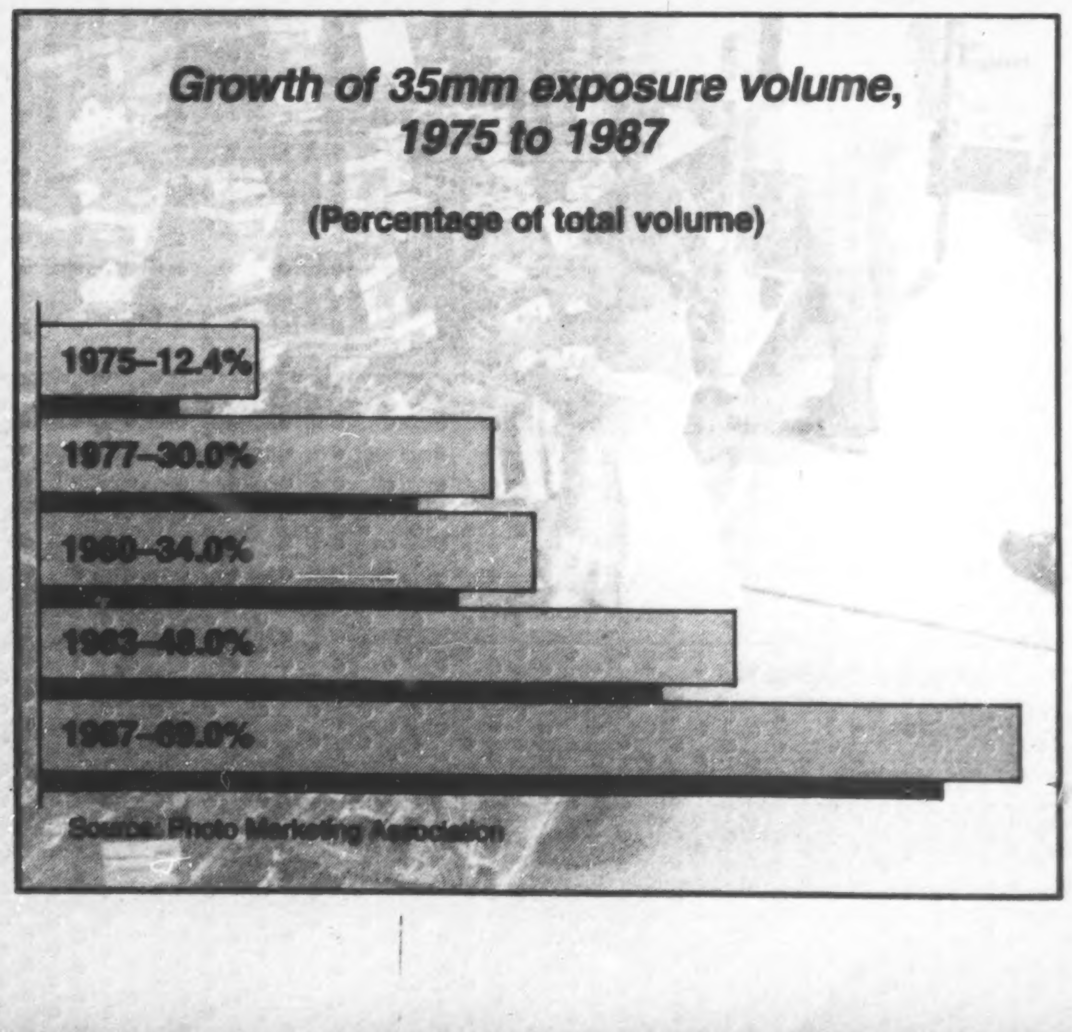
Discount stores are also getting more aggressive in their approach to the photo market. K mart, for instance, now reportedly accounts for 15 percent of all photo retail business in the U.S. Both K mart and Zayre now offer in-store mini-labs in some sites.



Retailers have opportunities to build film volume by tying into manufacturer promotions, such as the above free product with purchase floorstand at Page Drug, Dallas.

SeaWorld
Catch the fun on Kodak film.
Kodak The Official Film of Sea World
Save up to $15 on SeaWorld

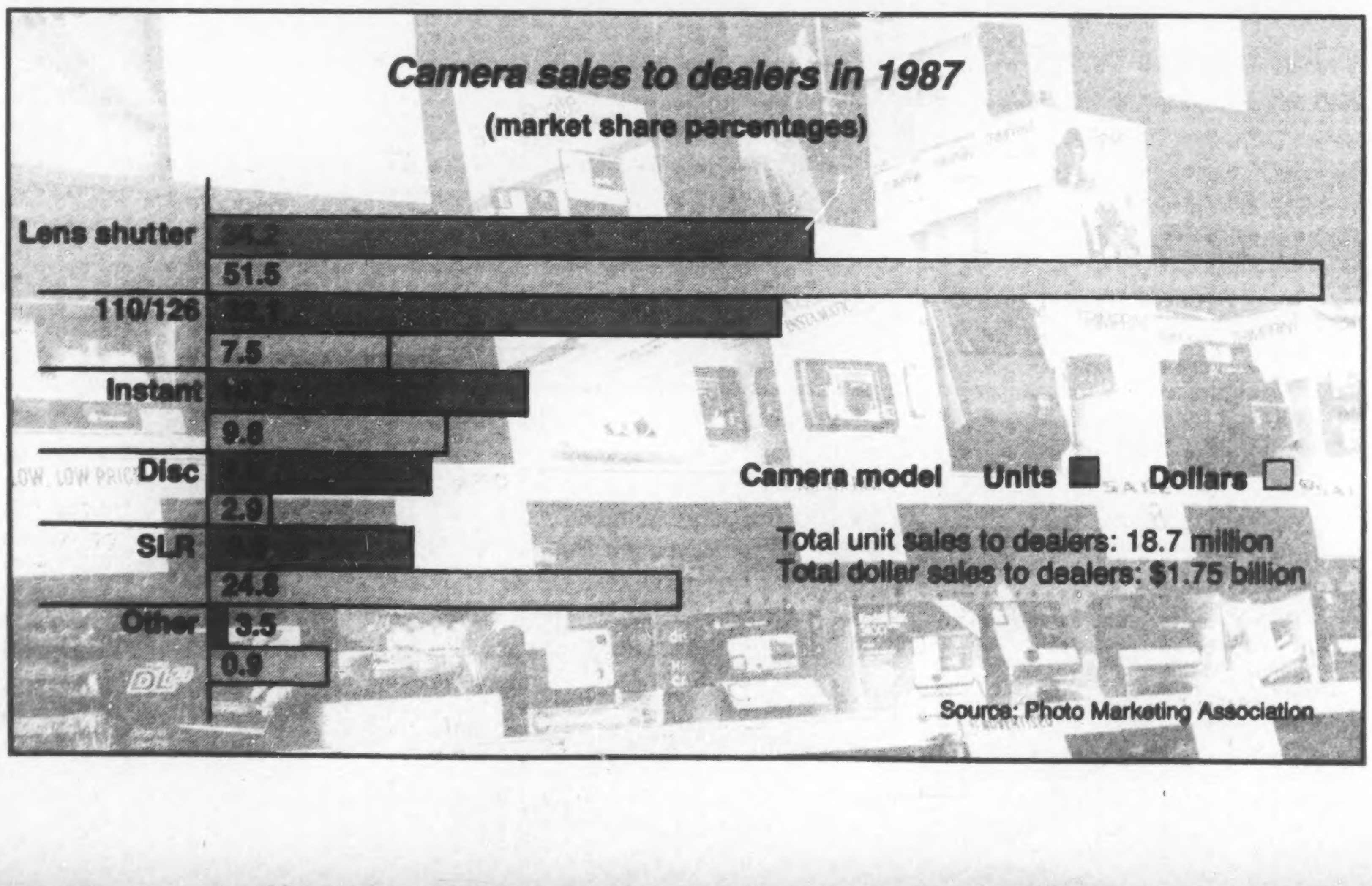
Highly defined service camera bar at H. E. Butt combo in San Antonio, Texas, encourages shoppers to drop photofinishing orders and buy cameras and accessories at prices that far exceed the mix at many drug stores.



Growth of 35mm exposure volume, 1975 to 1987

(Percentage of total volume)

Source: Photo Marketing Association



Camera sales to dealers in 1987

(market share percentages)

Total unit sales to dealers: 18.7 million
Total dollar sales to dealers: $1.75 billion

Source: Photo Marketing Association

Innovative battery promotions charge drug store sales

Different battery brands anchor consecutive endcaps in this Austin Drugs unit, located in Plainview, N.Y.

Drug stores have gained high-voltage boosts from the charged-up battery market. They're adopting new products and display systems, and drug merchandisers anticipate that they will pay off as vendors maintain their high levels of promotional and advertising activity in 1988.

Market share leader Eveready has set the pace in innovative promotional programs. In its "Energizer Power Check" promotion, Energizer spokesman "Jacko" will visit high-traffic public areas to check battery-using devices for Energizers, and award cash and prizes.

Eveready's "Change your clock, change your battery" fire safety promotion will encourage consumers to change the batteries in their smoke alarms and flashlights, when they change their clocks for daylight savings time on Oct. 30. It will be heavily backed by in-store merchandising, publicity and advertising.

Chain buyers say they're looking for record levels of promotions and advertising from Duracell, Rayovac, and Kodak, as well as televison ads, and rebate programs that support stores sales.

Panasonic, carried by Rite Aid, is emphasizing trade advertising, that includes advertising of its rechargeable batteries.

Meanwhile, a plethora of battery-operated toys and electronic items that use batteries by the handful are keeping demand at a high pitch. A typical boom box radio can use up to 12 D-size batteries, for example. A remote control toy car will use six to eight AA batteries and two nine-volt batteries.

Dollar sales are growing in part from increased market share of higher-ticket alkalines, and also from increased sales of heavy duty batteries.

More accessible displays help increase sales, too, as at Rix Dunnington, which is considering bringing batteries out from behind the counter.

"I think we could do twice as many sales out from behind the counter," said Rix merchandise manager Barbara Donnellan. Donnellan has considered using a Duracell wing rack to grab impulse sales.

Rix avoids multipacks to save space in its typical 4,000-square-foot to 5,000-square-foot stores.

Donnellan feels the low price points of general purpose batteries makes them attractive for some uses. The product segment has recently posted 100-percent sales growth with the chain.

Consumer demand for batteries hits New Orleans-based K&B Drug Stores with gale force during the hurricane season, providing ample opportunity for sellthrough. K&B carries all the major brands and mounts regular promotions, said buyer Norman Currier.

Currier has his best success with a hurricane endcap promotion he has run with Duracell for the past two years. The promotion couples batteries with such items as flashlights, bottled water, tape, and candles in its coastal stores.

Eveready may be a second participant this year, Currier noted.

K&B also is testing Rayovac's new checkout pack merchandising system in most of its stores. Rayovac has used the system to gain major penetration in the discount store channel with such chains as K mart and Wal-Mart using the gravity feed and wire rack systems.

At or near stores' checkouts, the system will require months of evaluation, Currier said.

Currier feels Kodak's new floor stands pairing batteries with film look attractive, particularly since Kodak will launch heavy battery televison advertising for this year's Olympics.

With the Energizer and Duracell lines, Douglas Drug stays with packs of four-counts and below, after having found, "you almost have to give (multipacks) away to make them fly," said buyer Paul Chabot.

Although in-and-out promotions of Kodak batteries backed by rebates have produced results, Chabot feels they may be unnecessary since Duracell and Eveready match Kodak's rebating with their own programs.

"To get the best buys, you have to promote once a quarter," notes Bartell Drug's buyer Paul Lofgren, whose four-count pack and under assortment is powered by the twin pack C's and D's, and AA's and AAA's of Eveready, Duracell, and Kodak.

Profile of a heavy battery-using household

Young married couple

. . . with children 6 to 12 years old

. . . and with young adults ages 13 to 20

Consumes 96 batteries per year

Source: Rayovac

Two brands dominate market share battle

(retail share of alkaline and heavy duty batteries in food, drug, and mass merchant outlets, Nov.-Dec. 1987)*

Eveready	36.2
Duracell	29.2
Rayovac	12.0
Kodak	3.8
General purpose batteries	12.8
All others	6.0
Total	100.0

* Food, drug and mass merchandise stores accounted for 61 percent of all battery sales in the period measured.

Source: A.C. Nielsen

The six most advertised battery SKUs

(by the top drug chains, March 1988)

Type	% of total battery ads
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

Steady battery industry growth continues*

(percent increase from previous year)

	Units	Dollars
1983	6.1%	12.8%
1984	5.3	8.8
1985	5.0	8.3
1986	5.6	9.4
1987	5.0	8.5
1988	5.4	8.7

*The trend to higher-priced heavy-duty and alkaline grades has caused dollar sales to exceed unit sales.

Source: A.C. Nielsen and NFO Consumer Purchase Diary

Drug store battery market share grows

	1982	1987
Discount	32%	34%
Food	24	29
Drug	17	18
Hardware, home center, lumber	6	9
Others	21	10

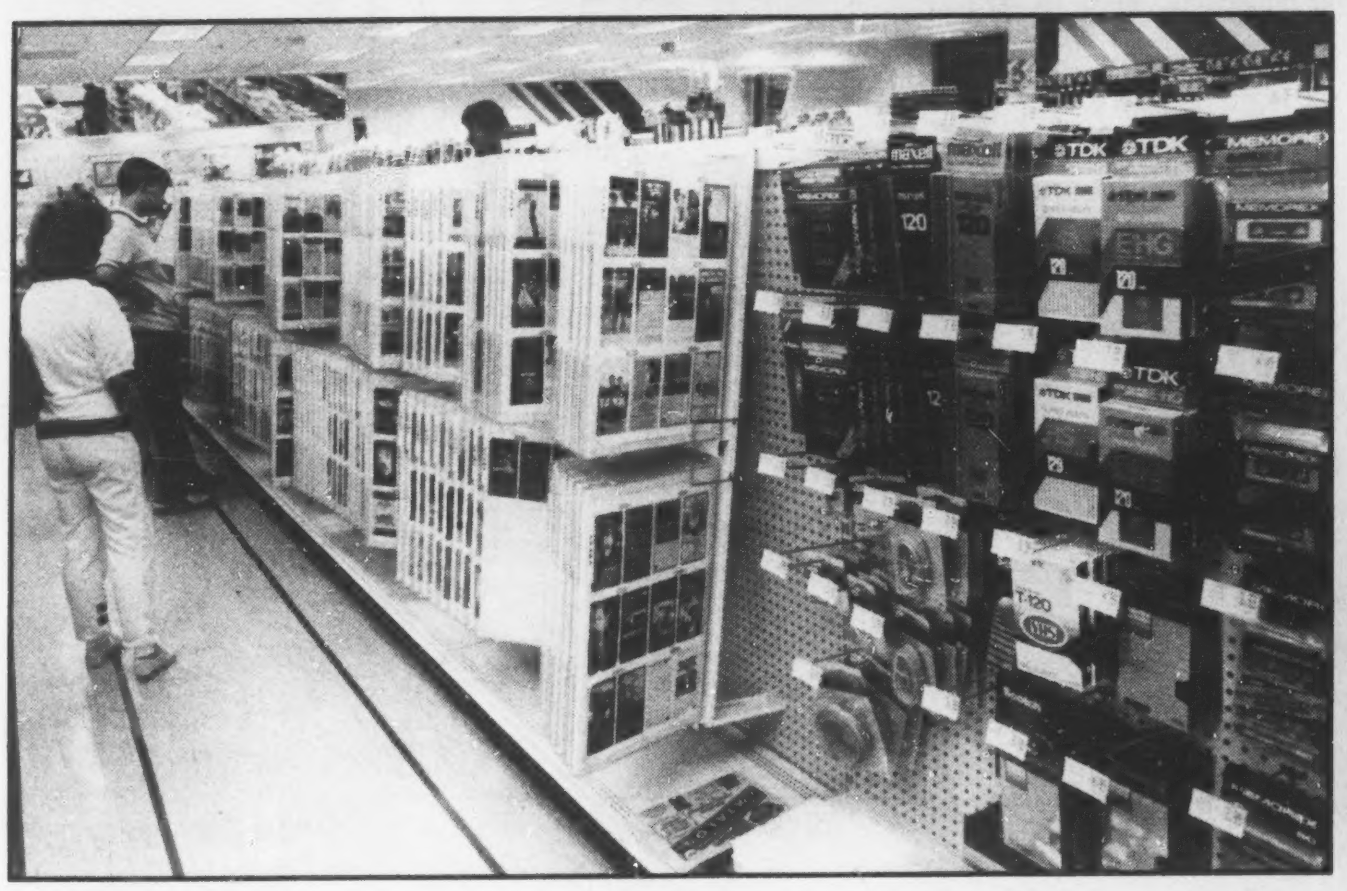
Source: NFO Consumer Purchase Diary

Toys, games, and portable audio devices generate more battery purchases

(percent of batteries bought to power specific devices)

Item	1982	1987
Radios	17%	12%
Cassette recorders	7	10
Radio cassettes	4	8
Toys/games	19	21
Flashlights	21	16
Photo	10	12
Clock	3	4
Remote controls	1	5
Calculators	6	3
Smoke detectors	2	3
Lanterns	1	1
All others	9	5

Source: NFO Consumer Purchase Diary



Self-selection of rental tapes is most encouraging to multiple rentals, as at Rite Aid, Camp Hill, Pa. Blank tapes and cables are pegged in same aisle for impulse replenishment sales.

Clear delineation of title type and small fixtures enhance browsability of video rental titles at King Soopers, Aurora, Colo.

Competition grows on the movie rental marquee

Drug chains which have ventured into the movie business through the sale and rental of prerecorded videotapes are facing some tough sledding. More and more, they are up against large-scale, sophisticated video specialty stores which have already forced many smaller video vendors out of business and carved out the lion's share of the rental market in many cities.

"The video rental market continues to be in a state of flux," reports the Photo Marketing Association in a classic case of understatement. "While rental revenues on prerecorded videocassettes climbed 20 percent in 1987, to $4.4 billion (retail), retailer attrition marches on."

It's no secret that the market for blank and prerecorded videotapes is rife with competition and littered with business failures. It is also no secret that profits on sales and rentals—which were once easy to come by—are under increasing pressure, as more and more competitors battle for share.

But the biggest development affecting the video rental market over the past two years has been the consolidation of the industry, as a handful of chain video giants like Blockbuster Entertainment gobble up former competitors and push aside smaller, independent operators. Blockbuster, on its way to market dominance, has grown to nearly 350 outlets nationwide with its recent purchase of Major Video, and is opening new stores at the rate of about three each week.

Prerecorded videotape retail market share, 1987*

Outlet	Share of market
Video specialty stores	50.0%
Mass merchandisers	11.0
Record stores	9.5
Book stores	9.0
Convenience-grocery	7.0
Direct mail	6.5
Toy stores	3.0
Drug stores	2.0
Appliance, other	2.0

*By unit shipments

Source: EBM Market Research estimates

"The superstores will dominate the industry," observed one market analyst recently.

Nevertheless, the sheer size of the market continues to lure almost every retail trade class into the video business. This year, combined sales and rentals of prerecorded and blank tape will approach $7 billion, according to an industry forecast by Paul Kagan Associates. Battling for rental business alone will be nearly 70,000 retail outlets—including some 25,000 video specialty stores and 45,000 other outlets, including drug stores, which have entered the fray. Compounding matters is the fact that the promotional price on blank videotape has plummeted to $3 or less in many areas.

"It's anyone's guess how one can remain profitable in this industry," observes the PMA in its most recent industry report.

Blank videotape promotions by manufacturers enable drug stores to blow out quality brand names at sharp prices, as at Page Drug, Dallas.

Blockbuster and other large-scale video specialists have quickly gobbled a large share of the rental market through aggressive expansion and a huge commitment of capital for inventory. In giant, conveniently located settings, they offer 10,000 or more movie titles, including dozens of copies of the hottest new movies, compared with the average offering of 1,000 to 2,000 offered by most other operators, including drug chains.

Service merits a higher fee

For this, Blockbuster now pays $89.95 or more for the hottest new titles, recouping its investment with higher-than-average rental prices of $3 aimed at high customer traffic. Customers, it has been proven, are willing to pay more than the current average rental price of $2.02, if they have a good chance of finding a tape they want and keeping it longer than one day—two conveniences Blockbuster specializes in.

Coupled with growing competition from heavyweights like Blockbuster, drug chains must now battle a perplexing array of non-specialty video centers to gain market share. Some powerful examples include Southland Corp.'s 7-Eleven—which now offers 99-cent overnight rentals in at least 6,500 of its convenience stores—and Phar-Mor, the expanding off-price chain which has introduced 69-cent overnight rentals on a few hundred fast-turning titles in some of its newest outlets. Both operators key in on the convenience aspects of the business, sacrificing margins for a boost in store traffic.

Another sticking point has been the rising cost of "A" movie titles—the most popular new releases. Prices on "A" titles have risen to $89.95 on average, squeezing margins further for vendors who depended on low rental prices to compete. The high movie prices also pressure drug chains, which can't commit the capital for more than a few copies of each hot title for each store, but can't get along without the "A" offerings, either.

The reason is obvious. Of the 300 new feature films released by the 14 major home video suppliers in 1987, the 78 best-sellers accounted for fully 65 percent of all revenues, according to Rand Bleimeister, Nelson Entertainment executive vp. According to one study, video retailers already lose 2 million rentals a week because consumers can't find the movie they want.

Despite the increasing competition, industry consolidation and high inventory costs, a number of drug chains have followed industry pioneer Rite Aid into the movie rental business, and blank tapes have become an indispensable part of the drug store mix. For drug retailers, the rental business must serve as a traffic draw and customer convenience as well as a profit producer. Chains like Walgreen's, Randall's Food Markets and Wellby have successfully welded a limited video selection in some stores onto their photofinishing departments by holding down overhead and, in some cases, by leasing tapes instead of buying them outright.

Bob Gowens, executive vp-finance and administration for Randall's, argues that video rental centers can be very profitable and a good traffic builder if retailers prepare the proper groundwork. Many questions about inventory levels, variety and turnover can be answered by studying the small equipment or home appliance rental business, Gowens said. In addition, he added, retailers should develop financial models and make philosophical decisions about the kind of movies they want to carry.

The 'R' world

"You must decide how far you will go into the 'R' world," Gowens said. "The movies you rent make a public statement of who you are. . . we want our video center to be family-oriented."

One recent entrant into the movie rental business is Discount Drug Mart, the 26-store chain based in Medina, Ohio. "We're getting into videotape rentals, with about seven or eight stores to begin with, as another customer convenience," said Dennis Wieland, vp-finance. "We plan to offer current movies at $1.99 and 99 cents, along with 69-cent specials."

Drugs Plus in Dallas, Cullum's new deep-discount store, discounts school and office supplies one-third everyday. About three-fourths of the 28-foot stationery department is given over to home office supplies. Greeting cards get 88 feet, cross-aisled, at an everyday 40-percent discount.

Home office/stationery promotion ads: Brands with most exposure, April 1988*

Brand	Product	% of ads
Binney & Smith	Crayons	2.7%
Empire	Erasers, pencils	6.5
Mead	Envelopes, notebooks, portfolios, tablets	5.3
Stuart Hall	Envelopes, folders, notebooks, legal pads	7.1
3M Scotch products	Tapes	9.4

*Includes mainly circular ads from such chains as SupeRx, Walgreens, Eckerd, Snyder, Giant, Arbor

Source: Vereen & Associates

Percentage of drug chain advertising given to home office/stationery over a four-month period

	Drug chains	Discounters	Food stores
January	6.9%	5.2%	6.4%
February	3.0	4.6	2.8
March	2.3	4.6	1.5
April	2.0	3.5	—*

*So few items as to be insignificant

Source: Vereen & Associates Inc.

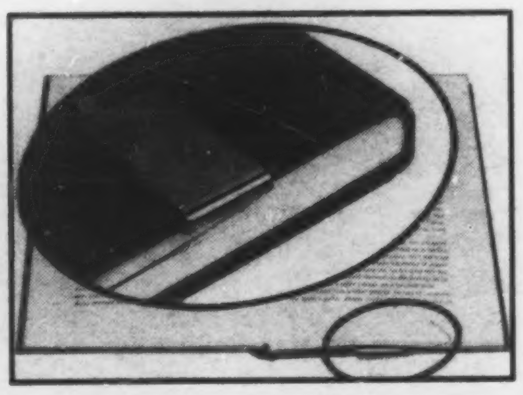
Longs downsized store in San Diego devotes a mid-store valley to stationery, which includes a wide assortment of binders and pegged writing instruments. Shelf dividers keep paper goods neat.

Keep track of important cards

A new line of business card file-books that fits into a briefcase or travel bag has been introduced by Lion Office Products.

The File 'N View Card Organizers provide an at-a-glance reference. They are made of special polypropylene material to eliminate ink transfer from the cards. Full page clear pockets are incorporated on the inside of both front and back covers, providing space for notes or memos.

Lion Office Products, 401 W. Alondra Blvd., Gardena, Calif. 90248.



Turn over a new leaf

Tabnic Enterprises announced the Pagekeeper, a bookmark that automatically keeps pages down. The spring-activated bookmark can be placed in the book upon reading, and the page is always marked, even if the book is placed down or dropped. The product fits paperback or hardcover books and is available in six colors: rose, yellow, peach, gray, blue and black. SRP is $3.98.

Tabnic Enterprises, 6815 Byron Holley Road, Byron, N. Y. 14422.

ROTEX
REPLACEMENT RIBBONS
& LIFT-OFF TAPES

Two displays for typewriter ribbons

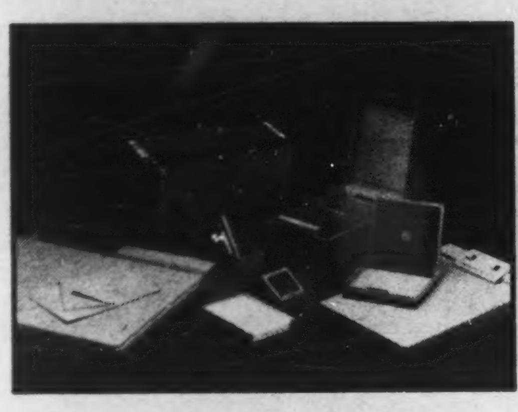
International Rotex recently announced two new displays to round out its offering of typewriter ribbons. Display #340R contains an assortment of 92 typing ribbons and correcting tapes, and display #341R contains an assortment of 42 ribbons and correcting tapes. They can be used in most popular manual, electric and electronic typewriters, according to the manufacturer.

International Rotex, Marketing Dept., P.O. Box 20697, Reno, Nev. 89515.

Organize and file business cards

Design House has added the Business Card File and Address Book Binder (model 627) to its Accent Collection bonded leather line. Each features tabbbed index sheets, 12 plastic sleeves to hold up to 72 business cards, and 40 address pages. The binder is available in both Baby Gator and Jungle Gator patterns. SRP is $30.00.

Design House, 185 W. Englewood Ave., Teaneck, N.J. 07666.



Design-a-Space line is portable

Rubbermaid's new Design-a-Space Home Office line is geared to "work where you work" for portable use. New products include the Portable Desk, Diskette Storage File, Disk Case, and Storage Clipboard. The Diskette Stoarge File offers protection for up to 50 5¼-inch diskettes. Four movable dividers with index tabs help organization. SRP is $9.95.

Rubbermaid, 1147 Akron Road, Wooster, Ohio, 44691.

Manage thyself

Dac Software's Hold Everything! personal information management system, compatible with Dac-Easy Word, features a Fast Finder, KeyWord search, custom reports and input screens. SRP is $99.95.

Dac Software, 17950 Preston Road, Dallas, Texas 75252.

K mart adds heat to office supply market

TROY, Mich. — K mart Corp. plans to enter the proliferating office supply specialty store business with a warehouse-type format to be called Office Square. The first of the 25,000-square-foot stores is expected to open this summer, but its site and opening date have yet to be determined, according to a K mart spokeswoman.

Developed by Builders Square, K mart's San Antonio, Texas-based subsidiary, Office Square will offer 10-percent to 50-percent discounts on office supplies, furniture and business equipment. It will be the fifth office products specialty venture to be launched in 1988, the others being Office Shop Warehouse, OfficeMax, Office World and Bizmart. Operations such as these and more established chains like Staples and Office Depot are seen as potential competitors for drug store stationery/home office departments.

Discounting and fashion keep sunglasses moving

Drug chains have kept sunglasses as one of the fastest growing general merchandise categories through everyday and seasonal discounting.

Many chain executives feel that by regularly promoting the under-$20 lines they most often carry, they can reach price points that conform to their stores' pricing image, and compete against deep discounting competitors.

A countervailing position holds, though, that it isn't necessary to discount sunglasses, since sales are primarily fashion-driven. Chains with broad assortments meeting a range of fashion needs can achieve strong sales at full price. Higher-end glasses, above $30 and as high as $200, are also an alternative for drug stores if the products conform to the leading styles, say some drug chain merchandisers.

Lines by Bonneau, Opti-Ray, Visual Scene, Cool Ray, Opti-Shield and Foster Grant have proven most successful for drug stores.

Regular discounting seems to be the prevailing drug store industry trend. Although unit and dollar sales of sunglasses increased from 1986 to 1987 in drug stores, the average price paid in drug stores declined, from $10.29 to $8.57, according to the Sunglass Association of America (SAA).

Among all retail channels, the average price rose from $6.85 to $7 in 1987, as sunglass retail sales hit the $1.3 billion mark, the SAA said.

Big B, Rix Dunnington and Douglas Drugs all carry sunglasses pre-ticketed with everyday discounts off the manufacturers' list price.

Big B combines its everyday 20 percent discount with monthly 50-percent-off ads, which allow the stores to compete with chains such as Eckerd and K mart who are also discounting, said Bob Little, vp-store operations.

Foster Grant and Opti-Ray assortments at Big B provide "good margins, even on sale," although loss from shrink has to be factored out. Big B positions racks to force the consumer to shop the front, allowing better surveillance, Little said.

Rix Dunnington similarly offers everyday 20 percent discounts on its Bonneau assortment, supplemented by spring and summer 50 percent-off promotions, said buyer Jay Weiner.

"Everybody discounts glasses; CVS, Brooks, and all the mass merchandisers. We feel we should also," said Weiner.

A Bonneau program of tailoring the $10-to-$18 mix to individual stores' needs has helped, and sales reps visit Rix's Cape Cod, Mass. units twice a week in the summer months as opposed to the normal monthly visit.

Rix uses locked cases and two-sided racks to combat shrinkage.

This year it is testing an Opti-Ray program in five stores, Weiner said.

With an eye on low-pricing tactics by local discount department stores such as Ann and Hope and deep discounters, including Woolworth's Rx Place, Douglas Drug shows a 25 percent everyday discount on its Foster Grant and Bonneau lines, said senior buyer Anna Iacono. The range at discount is $4.50 to $13.50.

An April buy-one-get-one-free coupon offer for sunglasses was "tremendously successful" and sunglasses have been a growth category for Douglas, Iacono said.

Over half of sunglass sales are in the $5-$20 range stocked heavily by drug chains

(U.S. retail sales in 1987; units and dollars in millions)

Retail price category	Units	Percent	Dollars	Percent
Up to $5	75	40%	$ 143	11%
$5-$10	70	37	400	30
$10-$20	28	15	280	21
$20-$30	6	3	150	11
$30-and up	10	5	350	27
Total:	189	100	1,323	100

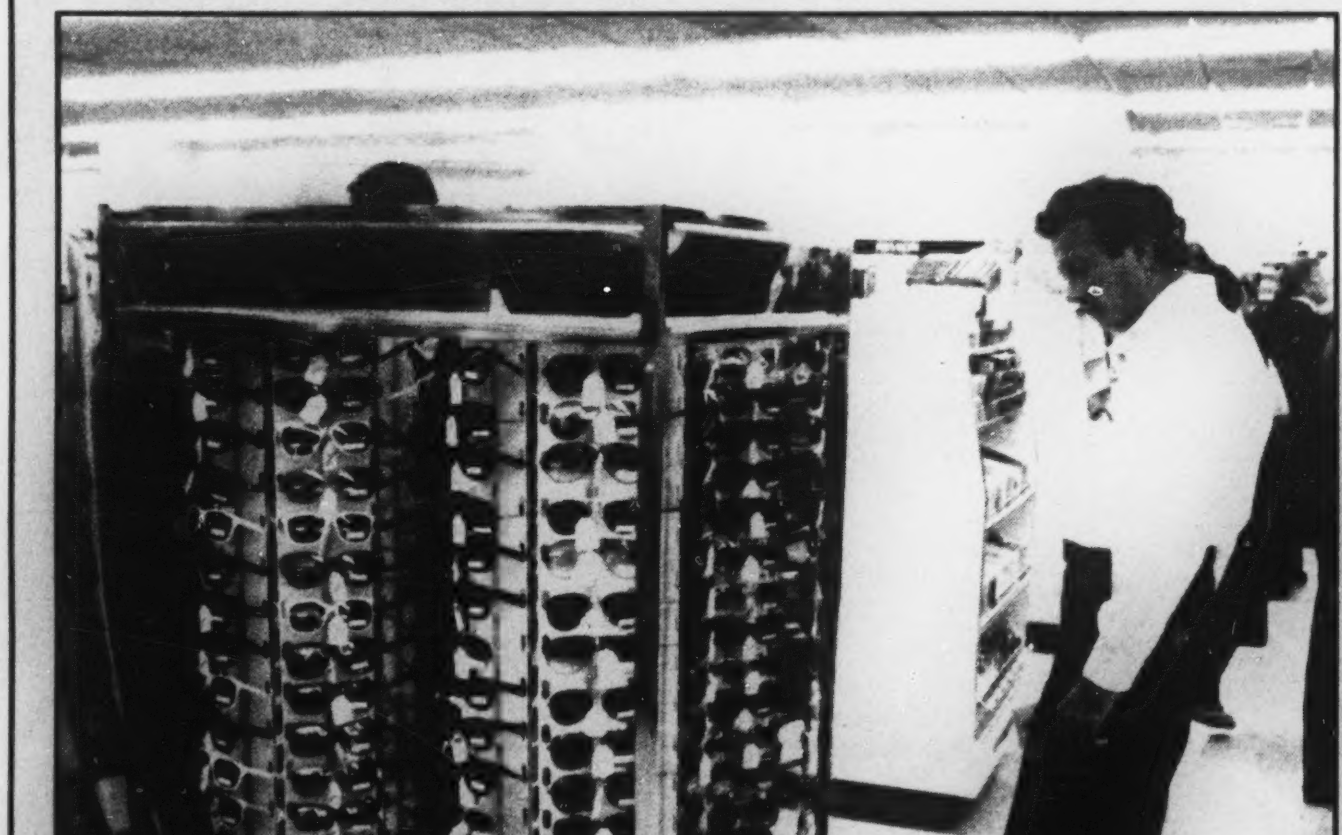
Source: Sunglass Association of America

Dollar growth slows as average price of sunglasses dips

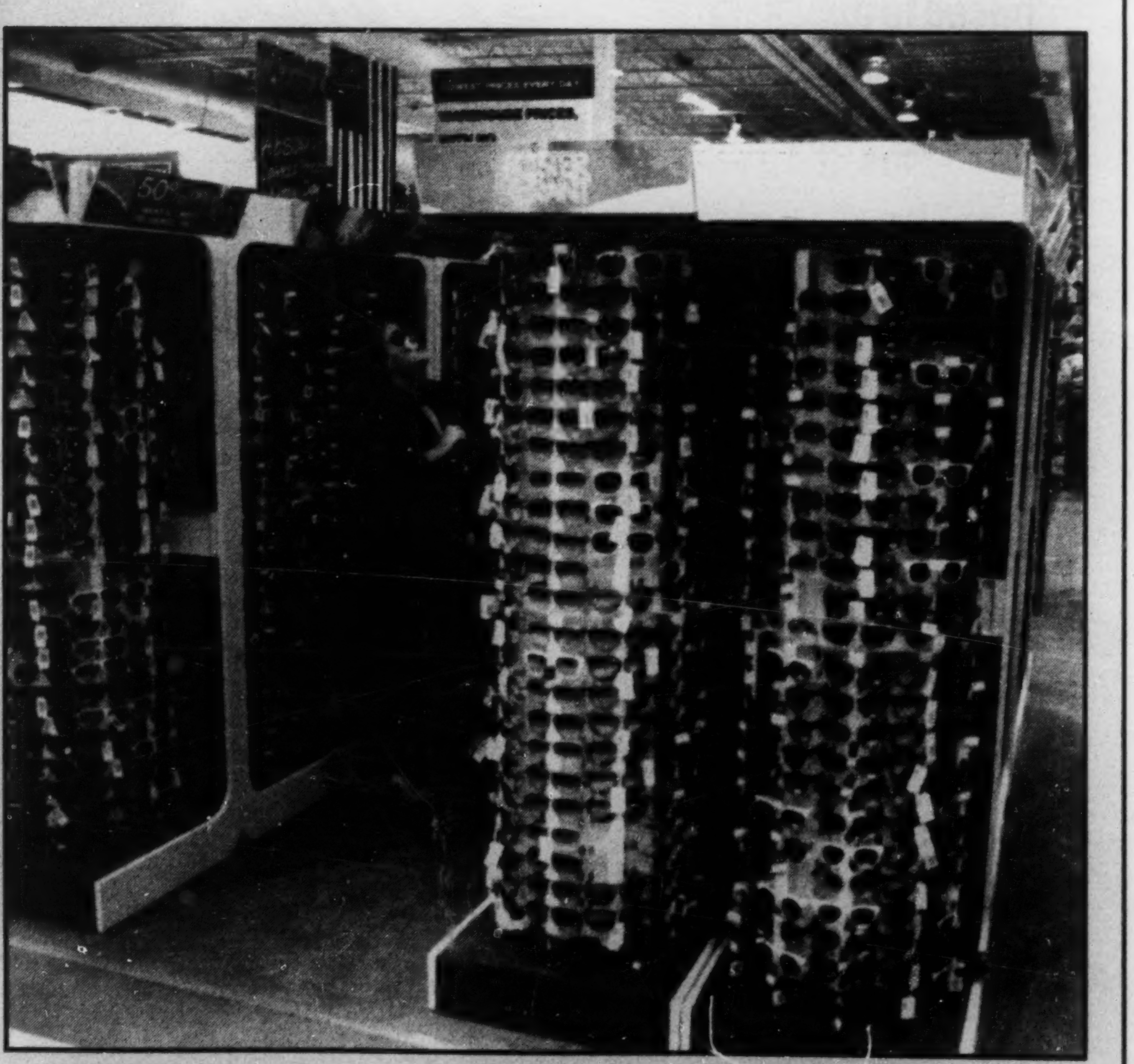
(units and dollars in millions)

	Units	% gain	Dollars	% gain	Average price
Drug stores					
1986	17	10%	$ 175	15%	$10.29
1987	21	11	180	13	8.57
Variety/mass merch.					
1986	23	13	150	13	6.52
1987	28	15	200	15	7.14
Food/convenience					
1986	10	6	75	6	7.50
1987	13	7	90	7	6.92
Total market*					
1986	175	N/A	1,200	N/A	6.85
1987	189	8	1,300	8	7.00

*Outlets include catalog showrooms, beach and sundry shops, and street vendors.
Source: Sunglass Association of America



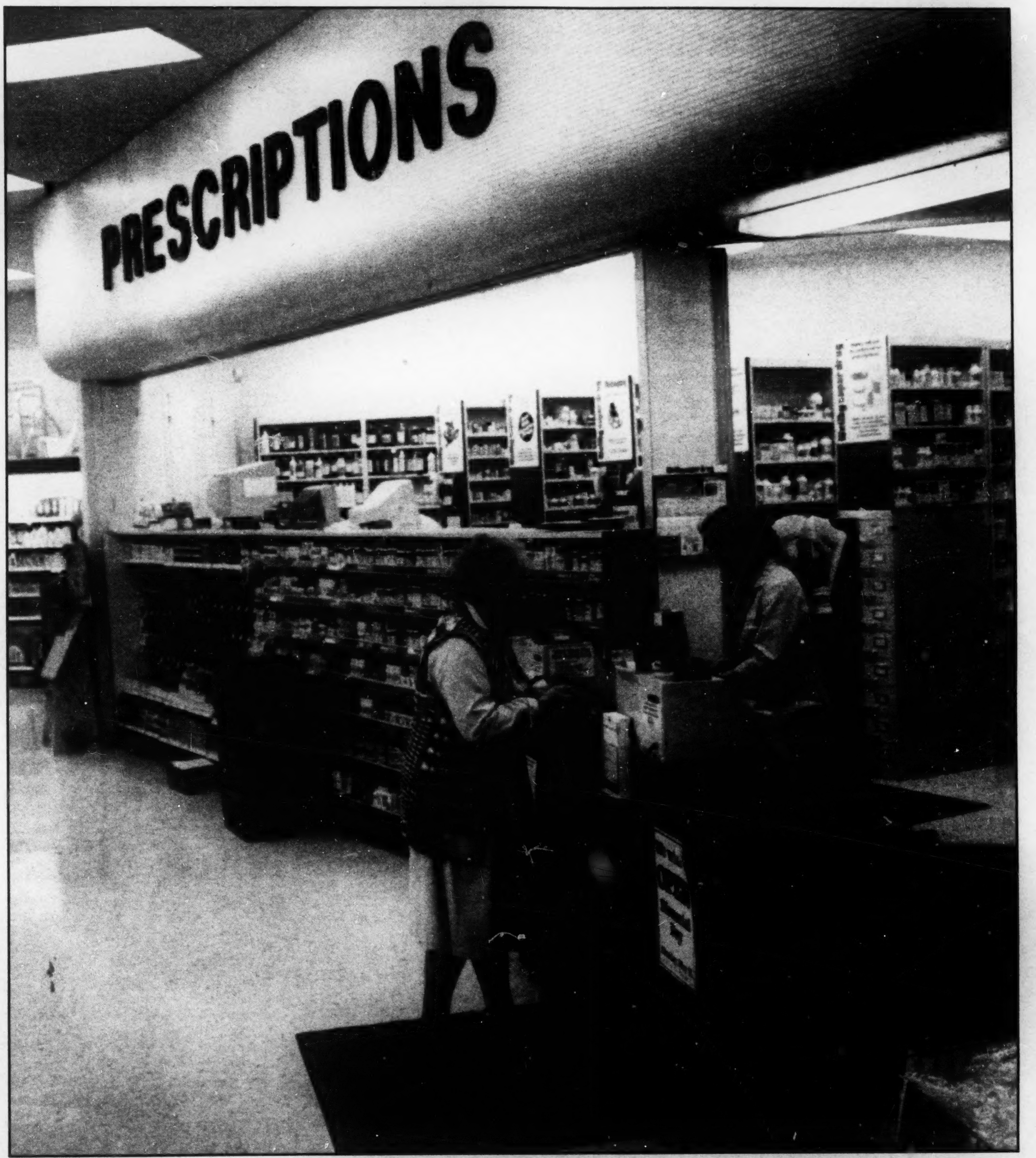
Give shoppers a comfortable spot to try on sunglasses, and chances for a sale improve, as at this end-aisle display in Longs, San Diego.



Broad variety in one central spot, rather than satellite spinners throughout a store, help retailers make a stronger fashion sunglass statement, as at Hypermart USA, Topeka.

Generic dispensing's promise lies ahead

Third-party pressures and enhanced margins drive substitution, according to an exclusive Drug Store News/Inside Pharmacy *study*



A customer at Wellby Drugs picks up her prescription at the prescription check-out area. The prescription could very well be filled with a generic. According to the Drug Store News study on generic substitution, 56 percent of all prescriptons filled are filled generically.

By Harold Cohen R.Ph.

Despite impressive inroads generic drugs have made in the retail prescription marketplace over the past several years, the dispensing of generic drugs has still not reached its fullest potential.

According to a survey of approximately 700 pharmacists conducted by *Drug Store News*, it is estimated that over half (56 percent) of all prescriptions at chain and independent drug stores are currently being filled generically. But the potential for generically filled prescriptions stands at 75 percent of all prescriptions written.

A more in-depth analysis shows that 20 percent of all prescriptions filled by the pharmacists were written for the generic to begin with, and another 55 percent were written for the brand but with "generic substitution permissible," creating a 75 percent potential for generically filled prescriptions. Conversely, 25 percent of the prescriptions filled were written for the brand only with no substitution permitted (creating an 80 percent potential for prescriptions filled with the branded product).

Pressure from cost conscious third-party programs and a heavy dependence by retail pharmacists to keep gross profit percentages in their prescription departments high, have created a situation where the bulk of generics currently being dispensed at retail pharmacies are substituted for brand name drugs.

On close examination of the study's data, nearly two-thirds (64 percent) of all generic prescriptions dispensed were the result of a substitution for a branded drug product.

While much of the heavy substitution practices at chain and independent pharmacies can be attributed to more discretionary power among staff pharmacists and a better understanding of generics on the part of the consumer, there is also a trend toward more physicians writing "substitution permissible" on prescriptions for branded drug products.

According to the study, there was a two percent increase over last year in prescriptions written that allow generic substitution (53 percent in 1987 compared to 55 percent in 1988). At the same time, there has been a two percent decrease in the number of prescriptions written for brand only, with no generic substitution permissible (27 percent in 1987 compared to 25 percent in 1988). The number of prescriptions written generically remained unchanged at 20 percent.

A rosy picture was painted by pharmacists' perceptions of the substitution trend. To no one's real surprise, the study showed that 90 percent of the pharmacists surveyed felt that substitution had increased over the past two years and 94 percent felt it will increase further in the next two years.

On average, the pharmacists reported that generic substitution for them had increased 34 percent over the past two years with independent pharmacists reporting a somewhat higher increase than the chains (37 percent independents compared to 31 percent for the chains).

Pharmacists had good reason to feel confident that the generic substitution trend will continue. According to the study, nine out of ten pharmacists believed the major reason for the generic success story is a better educated consumer.

Most of the pharmacists surveyed (9 percent) said that customers are asking more questions about generic drugs today than ever before. The majority of pharmacists (84 percent) also believed that consumer reaction to generic drugs has been positive while another 12 percent felt that consumer reaction to generics was neutral. Only 3 percent believed that consumers have reacted negatively to generics.

Cost savings to the consumer was the number one reason given by pharmacists for the heightened awareness of gener-

Continued on page IP18

Nearly two-thirds (64 percent) of all generic prescriptions dispensed were the result of a substitution for a branded drug product.

Types of prescriptions written by doctors

	Total	Independent	Chain
Total Generic Potential*	75%	75%	75%
Total generically filled	56	55	57
Written and filled generically	20	21	19
Written brand, with generic substitution/filled generically	36	34	38
Total Brand Potential**	80%	79%	81%
Total brand-filled	44	45	43
Written brand only and filled by brand	25	25	25
Written brand, with generic substitution/filled by brand	19	20	18

* Total generic potential = generically written plus brand, but generic substitution allowed.

** Total brand potential = brand only, no substitution plus brand but generic substitution allowed.

Source: Lebhar-Friedman Research

PHARMACY HOURS
Mon.-Fri. 9am to 9pm
Saturday 9am to 6pm
Sunday 10am to 6pm
PICK UP YOUR prescription HERE
Ask Us About GENERIC DRUGS

Hanging in this prescription department at a King Soopers in Denver is a sign encouraging customers to "ask us about generic drugs. . . the savings will make you feel great". According to the *Drug Store News* generic substitution study, almost eight in 10 pharmacists report being encouraged to substitute generics.

Factors affecting decision to substitute generics for branded drugs

	Total	Independent	Chain
Therapeutically equivalent	83%	81%	84%
Cost savings to customer	79	78	80
Patient request	66	61	70
Product availability	53	53	52
Improve profit	43	42	43
Store/company policy	24	19	29
Rebate or other incentive	4	3	4

Note: Percentages exceed 100 percent due to multiple responses

Source: Lebhar-Friedman Research

Continued from page IP17

ics by the average consumer. Other reasons the pharmacists gave for the high awareness factor included confidence that generics are therapeutically equivalent to branded products promulgated by reassurances from the pharmacist or physician.

But other pharmacists who answered the study said that consumers who get prescriptions filled as part of a third-party prescription program had little choice whether a generic or branded product is dispensed. In reality, this is true. Most third party plans, in an effort to keep costs as low as possible, mandate the substitution of generics wherever permissible.

> *Most third party plans, to keep costs low, mandate the substitution of generics wherever permissible.*

But not all the pharmacists were convinced that consumers are embracing generics as is commonly believed. Some pharmacists thought a small percentage of consumers reject generics because they perceive them to be inferior to branded products, and that these same consumers, if given a choice on third party plans, would request a branded drug.

And although duplicate inventories of branded drugs

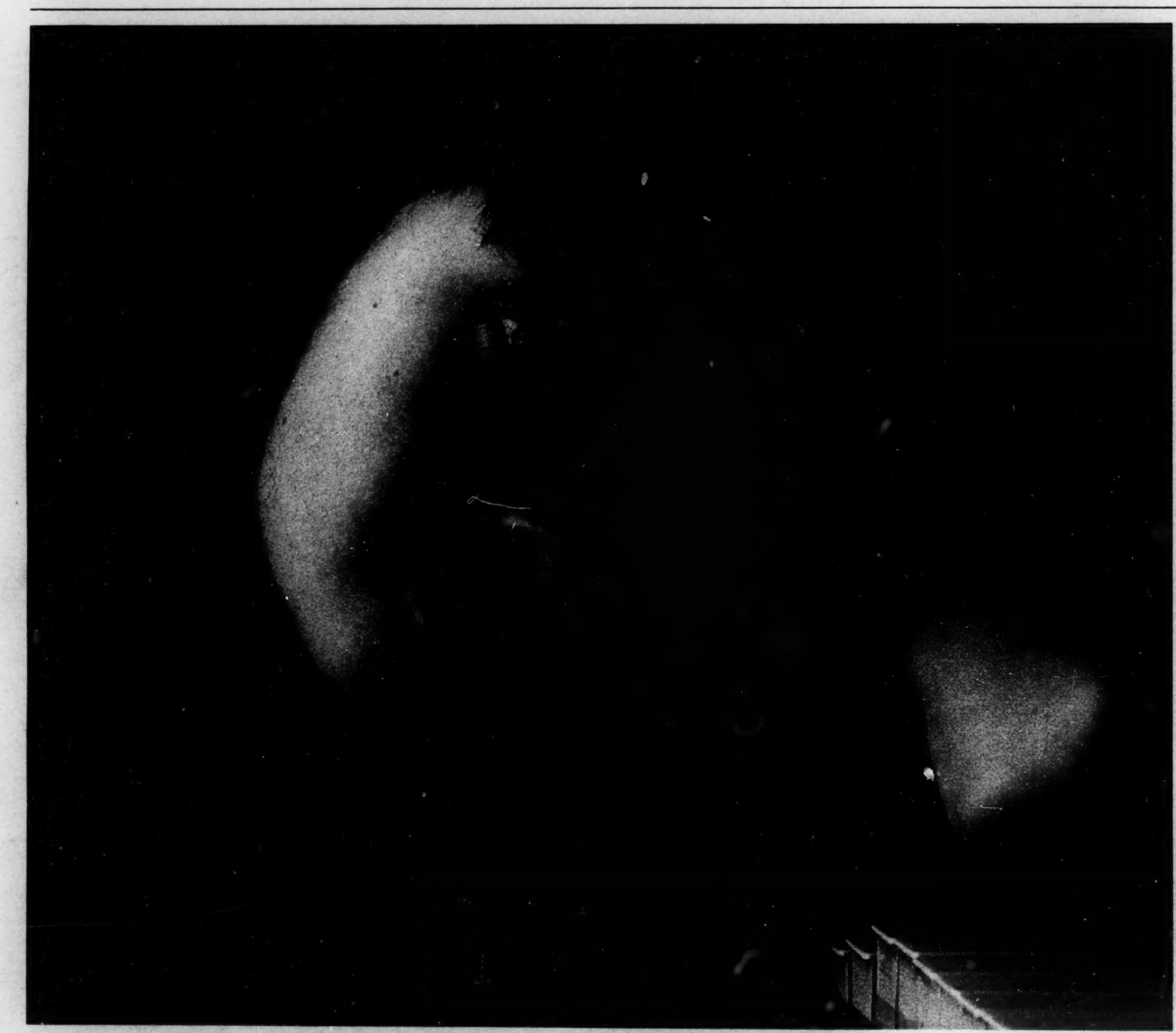
Continued on page IP20

Average amount of incentive per prescription

(among those chain pharmacists who receive a monetary incentive)

10-25 cents	9%
26-99 cents	15%
$1.00-$2.00	15%
$2.01-$3.00	15%
$3.01-$4.00	13%
Over $4.00	17%
No answer	22%

Source: Lebhar-Friedman Research



You know what's best for her. And so do we.

At Warner Chilcott, we share your commitment to patients like Amy. That's why we supply only the **highest quality generics.** It's a guarantee we can make because we insist on high-quality manufacturing standards. So each of our products receives the same quality attention you've seen for years from our parent company, Warner-Lambert/Parke-Davis.

And you'll benefit from consistent trade dress, continuity of supply, timely market introductions, and competitive pricing in an ever-increasing range of generic drugs and drug-delivery systems, all backed by a liberal return goods policy and product liability protection.

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We care.

Warner Chilcott Laboratories Division of Warner-Lambert Company Morris Plains, New Jersey 07950

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WC-43-JA-4875-P-1(3-88)

Compact Counter Display Pack
(12s) takes only 2½'' of shelf space
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150
Circle #8 on Reader Service Card

pharmacy
SAVE With Generics
Family RECORD-KEEPING
WE Care ABOUT YOUR Health
FREE BLOOD Pressure CHECK
Family RECORD KEEPING

A common method of advertising the availability of generics is with in-store signage.

Ways in which generic substitution is promoted

	Total	Independents	Chains
In-store signs	73%	56%	84%
In-store brochures	45	26	57
Newspapers	32	14	44
Recommendation	29	53	14
Television	22	2	35
Radio	20	9	27
Magazines	3	1	5
P.A. announcements	3	-	5
All other mentions	2	+	3
Don't know/No answer	1	2	1

+ = less than 0.5 percent

Note: Percentages exceed 100% due to multiple responses

Source: Lebhar-Friedman Research

Continued from page IP18

and their generic equivalents—once a common complaint among pharmacists-—are commonplace in today's typical pharmacy department, eight of ten pharmacists agreed strongly that lower price points on prescriptions to customers and a better margin for the pharmacist more than offset the disadvantage of carrying a duplicate inventory, once a common complaint among pharmacists.

A major factor leading to the success of generics can be attributed directly to the pharmacist's discretionary power in substituting.

Generics promoted

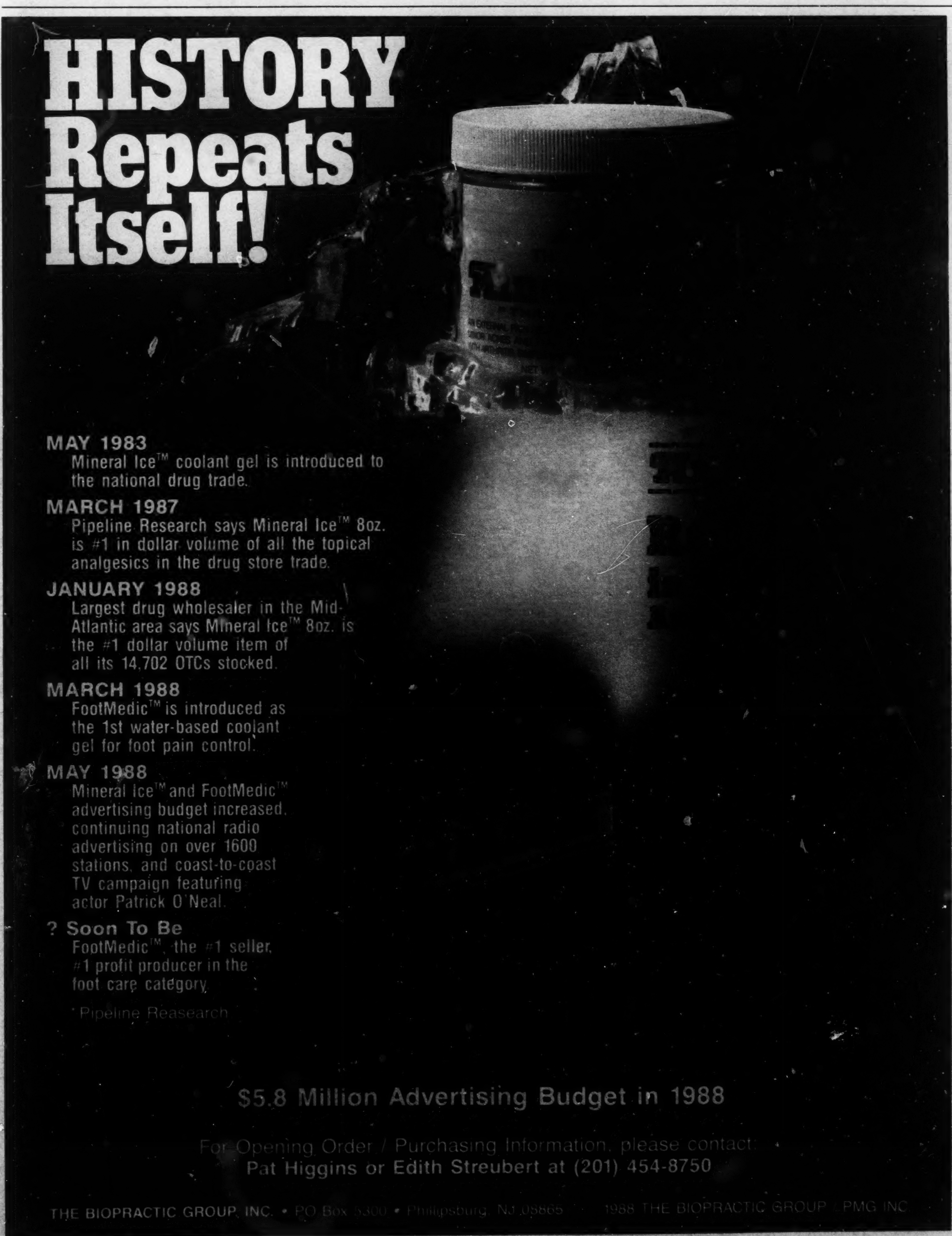
Several industry sources believe that a major factor leading to the success of generics can be attributed directly to the pharmacist's discretionary power in substituting. According to the survey, this may be true.

It was shown that the average pharmacist, in both chain and independent drug stores, spend an average of 38.3 minutes counseling patients on generic substitution. Surprisingly, chain pharmacists exhibited a slightly higher consultation period compared to the independents (38.9 minutes for the chains compared to 37.4 minutes for independents).

These consultation periods are supported by the majority of chain and independent drug stores promoting the use of generic substitution.

According to the study, 84 percent of the pharmacists surveyed said that their store or chain does this kind of promotion. Most (74 percent) said that the promotion was in the form of in-store signs, in-store brochures, newspapers, pharmacist's recommendation, television, radio, magazines

Continued on page IP22


HISTORY Repeats Itself!

MAY 1983
Mineral Ice™ coolant gel is introduced to the national drug trade.
MARCH 1987
Pipeline Research says Mineral Ice™ 8oz. is #1 in dollar volume of all the topical analgesics in the drug store trade.
JANUARY 1988
Largest drug wholesaler in the Mid-Atlantic area says Mineral Ice™ 8oz. is the #1 dollar volume item of all its 14,702 OTCs stocked.
MARCH 1988
FootMedic™ is introduced as the 1st water-based coolant gel for foot pain control.*
MAY 1988
Mineral Ice™ and FootMedic™ advertising budget increased, continuing national radio advertising on over 1600 stations, and coast-to-coast TV campaign featuring actor Patrick O'Neal.
? Soon To Be
FootMedic™, the #1 seller, #1 profit producer in the foot care category.

*Pipeline Reasearch

$5.8 Million Advertising Budget in 1988

For Opening Order / Purchasing Information, please contact:
Pat Higgins or Edith Streubert at (201) 454-8750

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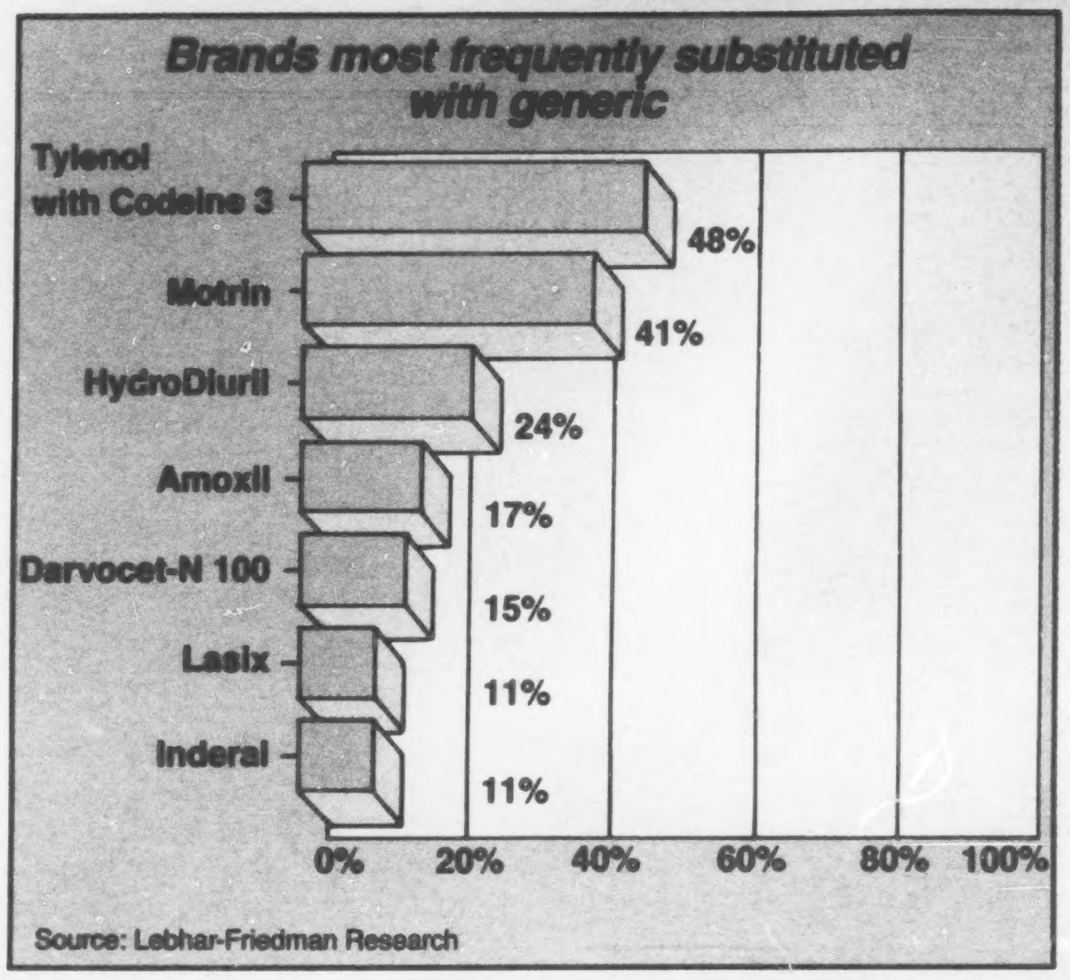
Circle #010 on Reader Service Card

"Every retailer is on the look out for something like it," HH, NY
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Circle #8 on Reader Service Card



Source: Lebhar-Friedman Research

A pharmacist in a Vons Pavilion in Arcadia, Calif., puts essential information on a new prescription. Nine out of 10 pharmacists nationwide believe that customers are asking more questions about generic drugs today then ever before.

Therapeutic equivalency key to generic substitution

NEW YORK — One of the major complaints pharmacists have voiced over the dispensing of generics is the difficulty in finding the right generic product to substitute.

Through a survey answered by approximately 700 pharmacists nationwide, *Drug Store News* has been able to extrapolate major factors in pharmacists' decisions to substitute one particular product over another.

Although recent price wars in the generic industry would lead one to believe that cost savings to the customer was of primary importance in a pharmacist's decision to purchase one generic over another, the survey showed that the price of the drug was less important than a product that was rated therapeutically equivalent to the branded drug.

Factors that pharmacists felt were "very important" in their decision to substitute a particular generic drug (in descending order), followed by the percent of pharmacists who chose that reason were:

- Therapeutic equivalency (83 percent)
- Cost savings to the customer (79 percent)
- Patient request (66 percent)
- Product availability (53 percent)
- Improved profit (43 percent)
- Store/company policy (24 percent)
- Rebates or other incentives (4 percent)

Substitution study

Continued from page IP20

and P.A. announcements.

Promotion is particularly prevalent at the chains. In addition to the normal routes of promotion, almost eight in 10 chain pharmacists (79 percent) reported they are encouraged by management to substitute generics and about one-quarter of this group said they are offered monetary incentives.

Pharmacists who receive a monetary incentive for substitution receive on average $2.63 per prescription for every substitution made.

Pharmacists who receive a monetary incentive for generic substitution reported receiving on average $2.63 per prescription for every substitution made. Five percent of the respondents who are encouraged to substitute said they also receive a monetary incentive but not on a per prescription basis. Most often the incentive is paid on total store profits for the year. One chain pharmacist said that a contest is held that lasts three months. "The store with the greatest increase in percent gets a bonus."

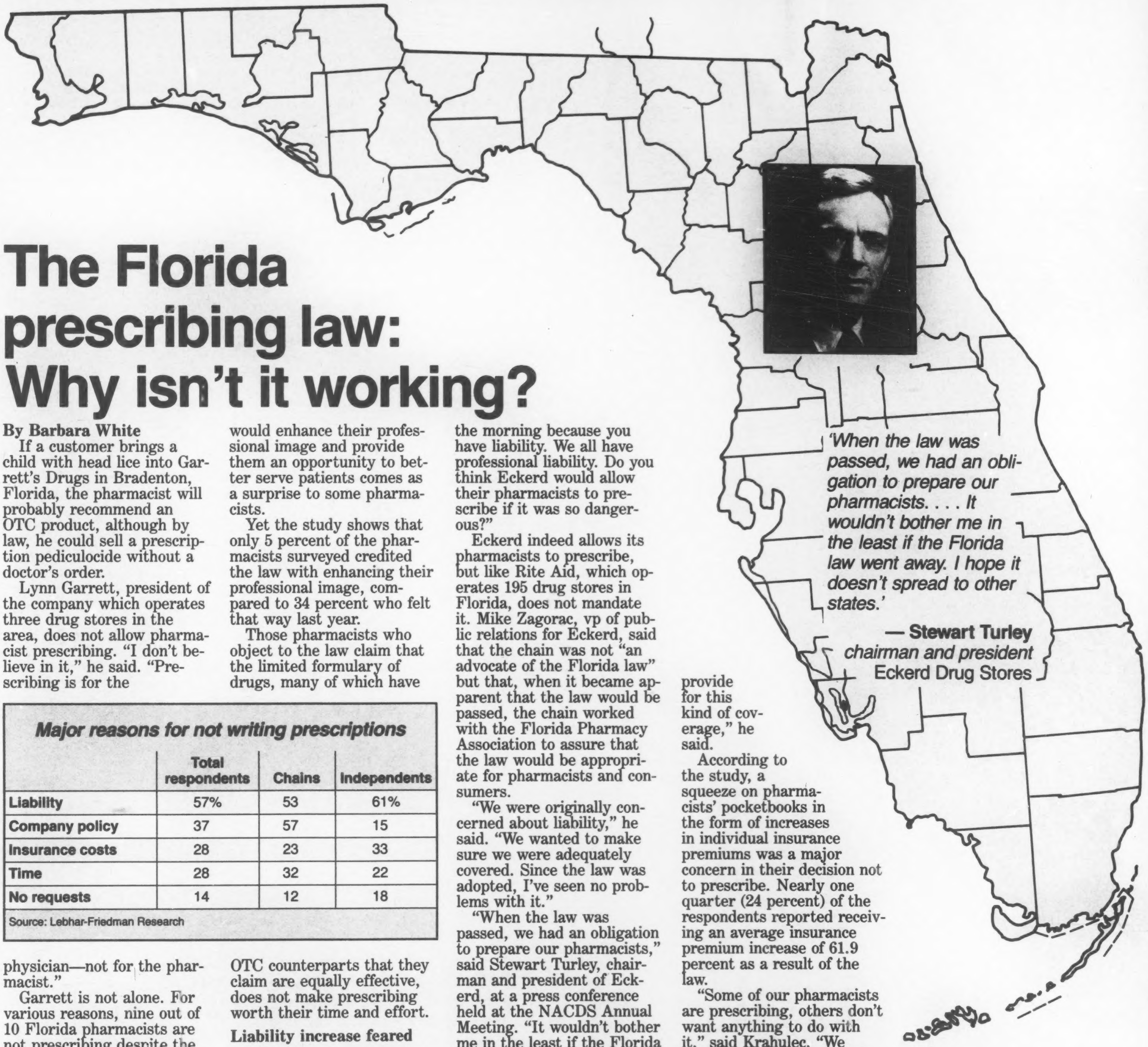
Another pharmacist said that he gets paid 50 percent of what the generic costs, while still another said that his form of reward comes in a day off with pay "if we have the highest percent of generic substitution."

One pharmacist reported that "we are told only that the company gets something back."

Have you taken a look at us lately
MY-K LABORATORIES

Circle #12 on Reader Service Card

Easy to carry & use lipstick form.
(No camphor, phenol or "caines".)
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150
Circle #8 on Reader Service Card



The Florida prescribing law: Why isn't it working?

'When the law was passed, we had an obligation to prepare our pharmacists. . . . It wouldn't bother me in the least if the Florida law went away. I hope it doesn't spread to other states.'

— **Stewart Turley**
chairman and president
Eckerd Drug Stores

By Barbara White

If a customer brings a child with head lice into Garrett's Drugs in Bradenton, Florida, the pharmacist will probably recommend an OTC product, although by law, he could sell a prescription pediculocide without a doctor's order.

Lynn Garrett, president of the company which operates three drug stores in the area, does not allow pharmacist prescribing. "I don't believe in it," he said. "Prescribing is for the physician—not for the pharmacist."

Major reasons for not writing prescriptions

	Total respondents	Chains	Independents
Liability	57%	53	61%
Company policy	37	57	15
Insurance costs	28	23	33
Time	28	32	22
No requests	14	12	18

Source: Lebhar-Friedman Research

Garrett is not alone. For various reasons, nine out of 10 Florida pharmacists are not prescribing despite the existence of a 2-year-old law allowing them to dispense drugs from a select list of prescription drugs without a physician's order.

In a study conducted by Lebhar-Friedman Research, 91 percent of the Florida pharmacists surveyed said they are not currently prescribing the drugs allowed by the formulary. The majority (92 percent) of this group said they have no plans to do so within the next six months.

This continues the downward trend in the number of Florida pharmacists who prescribe. The percentage of prescribing pharmacists dropped 7 percent from last year when the law got off to a shaky start. Last year, a similar Lebhar-Friedman study showed that 16 percent of pharmacists in the state were utilizing their power to prescribe.

That pharmacists would fail to adopt a practice which would enhance their professional image and provide them an opportunity to better serve patients comes as a surprise to some pharmacists.

Yet the study shows that only 5 percent of the pharmacists surveyed credited the law with enhancing their professional image, compared to 34 percent who felt that way last year.

Those pharmacists who object to the law claim that the limited formulary of drugs, many of which have OTC counterparts that they claim are equally effective, does not make prescribing worth their time and effort.

Liability increase feared

What's holding pharmacists back from prescribing? For the most part, fear of increasing their liability. Of all chain and independent pharmacists surveyed, 57 percent cited personal liability as the No. 1 deterrent to prescribing.

"You bet they're concerned about liability," said Rod Presnell, executive director of the Florida State Board of Pharmacy, "but I don't think it's a valid concern. If I were a pharmacist in practice today, I would not choose the issue of liability. After all, there is an assumed liability that goes along with just practicing the profession of pharmacy."

Powers also dismisses the concerns about liability, calling it "a smokescreen." "The same people who raised the issue of liability in drug product selection are raising the issue again," he said. "If that's the case, you'd be afraid to drive to work in the morning because you have liability. We all have professional liability. Do you think Eckerd would allow their pharmacists to prescribe if it was so dangerous?"

Eckerd indeed allows its pharmacists to prescribe, but like Rite Aid, which operates 195 drug stores in Florida, does not mandate it. Mike Zagorac, vp of public relations for Eckerd, said that the chain was not "an advocate of the Florida law" but that, when it became apparent that the law would be passed, the chain worked with the Florida Pharmacy Association to assure that the law would be appropriate for pharmacists and consumers.

"We were originally concerned about liability," he said. "We wanted to make sure we were adequately covered. Since the law was adopted, I've seen no problems with it."

"When the law was passed, we had an obligation to prepare our pharmacists," said Stewart Turley, chairman and president of Eckerd, at a press conference held at the NACDS Annual Meeting. "It wouldn't bother me in the least if the Florida law went away. I hope it doesn't spread to other states."

James Krahulec, vp of government and trade relations for Rite Aid, believes liability is a concern for many Rite Aid pharmacists. "Many pharmacists realize that the insurance they purchased 10 years ago doesn't provide for this kind of coverage," he said.

According to the study, a squeeze on pharmacists' pocketbooks in the form of increases in individual insurance premiums was a major concern in their decision not to prescribe. Nearly one quarter (24 percent) of the respondents reported receiving an average insurance premium increase of 61.9 percent as a result of the law.

"Some of our pharmacists are prescribing, others don't want anything to do with it," said Krahulec. "We haven't seen any cases of liability, but there is a big question of putting yourself on the line."

Fewer chains dispensing

Although Eckerd and Rite Aid are letting individual pharmacists make their own choices, an increased number of chains were no longer leaving the decision of whether or not to prescribe up to the individual pharmacist. Fifty-six percent of pharmacists employed by drug chains said the decision of program participation was determined by store policy. Last year, 24 percent said their decisions were a reflection of company policy.

The most frequently prescribed medications
(by drug category)

	Total	Chains	Independents
Scabicides/ Pediculocides	71%	82%	60%
Decongestants/ Antihistamines	43	27	60
Topical steroids/ Topical ointments	33	36	30
Eardrops	24	36	10
Vitamins with fluoride	19	18	20
Nonsteroidal anti-inflammatory agents	14	9	20
Other	19	18	20

Source: Lebhar-Friedman Research

Overall, 37 percent of chain and independent pharmacists surveyed reported existing company policy barring prescribing as the reason they do not utilize the law.

Gerald Friedman, vp of pharmacy at Best Buy Drugs, Inc. in West Palm Beach, polled pharmacists from the 13-store chain before setting policy against prescribing. "Most of our pharmacists did not feel that it would do our business any good. The majority had no

Continued on page IP26

At Camp's, prescribing provides another service angle

TITUSVILLE, Fla. — Red Camp, owner of Camp Pharmacy here, has been prescribing since the program began two years ago.

"I participate in the program the same way I participate in drug selection or anything to my advantage," he said. "I can't survive in the marketplace if I'm just another pharmacist."

Camp's pharmacy is one of 16 in an area with 30,000 residents—and competition is tough. Although he concedes that prescribing the drugs the law allows him to without a doctor's prescription represents only a small part of his business, he feels that offering the service gives him an edge on the competition.

"In terms of dollars, it's not a tremendous financial boon. The dollars would be negligible. In the best month, prescribing only represents a few hundred dollars," he said. "But it's hard to measure the value in terms of dollars. As far as I'm concerned, prescribing is only one more tool that allows me to be more aggressive, more innovative."

Camp primarily prescribes pediculocides, topical cortisones, and anti-histamines from a list of drugs provided by the limited formulary under the law.

'I can't survive in the marketplace if I'm just another pharmacist.'

—Red Camp
owner
Camp Pharmacy

"There are certain patients who feel that if the product they are using requires a prescription, it's better," he said. And the people who want that kind of treatment represent a market to Camp.

"Head lice are a problem in any warm climate. This law allows pharmacists to treat patients effectively and under the Medicaid law as well. A mother who brings her kid in with head lice doesn't have to spend money to take the kid or kids to the doctor but can be reimbursed."

And, contrary to some pharmacists' opinions, consumers, claims Camp, are happy about the law.

"Patients don't have much of a problem with our competence in treating them," he said. "They get a little upset when we can't treat their strep throat." He's making sure that more consumers are aware of the services he and other prescribing pharmacists offer by speaking to consumer groups and displaying brochures explaining the service in his pharmacy.

Camp doesn't buy other pharmacists' fears about provoking physician ire and increasing his liability.

"The perception that we're going into the doctor business depends on how well we communicate the reality of the law to physicians," he said. "I know of an instance where a pharmacist cleared all of the brochures detailing the service out of his store because a doctor in the complex was so upset about it. The next day the doctor was referring patients back to him telling them 'You don't need to see me for that. Go see Joe, he'll write you a prescription.' Once physicians understand the law, there's no problem."

Liability is less of a problem for Camp. "That's how we got into the mess that we are in now. We're not only slow to accept change, we're slow to accept responsibility," he said. "The folks who are most successful are those who want to make decisions."

Time, liability mire Fla. prescribing law

Continued from page IP25

interest in prescribing, so we do not," he said.

Time a factor

The reason most of Best Buy pharmacists had no interest? They had no time. "If we just do what we were trained to do—fill prescriptions—we're too busy," said Friedman.

Time restraints (reported by 28 percent of the pharmacists polled) were cited third most frequently by pharmacists as the reason they are not prescribing. "Customers don't always have access to a prescribing physician because time is involved," said Krahulec. "One time they may come in and the pharmacist may have time to prescribe. Other busier days would prevent them from having easy access to that pharmacist."

"Pharmacists have to go through a fairly burdensome record-keeping system," said Eckerd's Zagorac. "They have to consult and write down everything. Why should they do that when they can just as easily recommend an OTC product that will work just as well?"

Formulary limited

Zagorac's comment was typical of the responses by pharmacists—they felt the drugs included in the formulary had OTC counterparts that were just as effective.

Dissatisfaction with the limitations of the formulary among pharmacists who do prescribe was higher than last year. Only about half (52 percent) were very or somewhat satisfied by the prescribing law and the existing formulary. Sixty-nine percent expressed satisfaction with the program last year.

The formulary was instituted in May 1986 as part of a controversial law allowing pharmacists to prescribe drugs like pediculocides, antihistamines and antibacterials which have low potential for harm.

"The law sets up a pharmacists 'legend' which puts prescription products likely to go OTC into an interim category of transition period," explained Todd Dankmyer, vp of communications and public relations for NARD.

Pediculocides and scabicides were the most common prescription products dispensed without a physician's prescription; 71 percent of pharmacists cited those products as drugs they commonly prescribe. Decongestants and antihistamines were cited by 43 percent, topical steroids by 33 percent, eardrops by 24 percent and vitamins with fluoride by 19 percent. When asked what improvements could be made in the law, 17 percent of the respondents said the formulary should be expanded.

Pharmacists participating in the Florida program

	1987	1988
Chains	20%	9%
Independents	10	9

Source: Lebhar-Friedman Research

"There's not much on the list that pharmacists can prescribe," said M.J. Sullivan, president of Sullivan Drugs Inc., a two-store operation in Tallahassee. "Customers come in and want things that are not on the formulary."

'Pharmacists are . . . slow to change, but as more consumers become aware of the law and ask for prescriptions, pharmacists will prescribe,' Camp said.

"The limited nature of the formulary stops most pharmacists from prescribing," said Krahulec of Rite Aid. "Consumers get confused. Pharmacists may prescribe hydrocortisone for them. The next time they come in, the patient wants to talk about his ulcer. Then the pharmacist has to explain that he can't help with that. The patient has to see the doctor. That inconsistency is one of the reasons the law has not caught on."

Expanding the formulary may be in the cards in the near future, according to Powers. Yet talk of expanding the limited formulary irritates some pharmacists who object to the program for another reason—the fear of stepping on professional toes.

Provoking physician ire

"We're in a nationwide turf battle concerning physician dispensing. It doesn't sit well with physicians when pharmacists are lobbying for restraints on physician dispensing and then start pushing to prescribe," said Rite Aid's Krahulec.

"We're better off marking time on the push to expand the formulary until the debate on physician dispensing is settled," he said.

Krahulec is not alone in feeling that Florida physicians are not happy with pharmacists edging into their territory. Nearly three-fourths (74 percent) of the pharmacists surveyed felt that physicians disfavor the law. Seventy-seven percent believed that physician dispensing was on the rise during the past 12 months because of the law.

"The professional image that the law projects is a bold one," said Rod Presnell of the state board. "Because it's a bold image, other professions might have a problem with it."

Presnell admits that when the law was first passed, physicians initially objected to it. Once they were given an opportunity to examine the intent of the law, he said, most became more comfortable with it.

"The law doesn't say that in 10 years a patient will walk into a pharmacy and the pharmacist will diagnose and prescribe a drug. That just won't happen. It can't happen," said Presnell. "The law allows drugs which have a low potential for harm to be more accessible to patients who need them."

Powers, a long-time advocate of the law, insists that the law is a good one and that expansion of the formulary can only do good for pharmacists in the state. "Those pharmacists who are using the law are using it to their advantage," he said. "I hope that more state pharmacists will realize the tool they have available to them. I hope they will take advantage of it."

Will they? Or will the Florida law sit on the books as a white elephant? "I think as the formulary expands more pharmacists will go to the trouble," said Red Camp, owner of Camp Pharmacy in Titusville, who has been prescribing since the law was passed (see related story). "Pharmacists are a typically conservative bunch and slow to change. But as more consumers become aware of the law and ask for prescriptions, pharmacists will prescribe," he said.

SPEAK OUT

If legislation similar to the Florida prescribing law was passed in your state, would you prescribe?

"I've got mixed feelings. Sometimes it can help patients, but I'd rather tell people to go to their doctor, particularly in the case of products such as eye or ear preparations."

Martin Kulish
Dart Drug
Alexandria, Va.

"I guess I would prescribe. Of course the liability would be greater, but not much greater than the liability incurred for recommending OTC products. It would save people money to bypass seeing their doctors for minor things."

John Hardy
Drugs Plus, Dallas, Texas

"I think there would have to be some changes in the law. There is not any compensation for a pharmacist for spending his time prescribing. There should be some sort of fee which could be charged. I can also see why physicians are having a problem with it."

Dale Anderson
vp pharmacy operations
Texas Drug Distributors
San Antonio, Texas

"I would not prescribe. Patients should always have a prescription from the doctor for any drug that is a prescription rather than an OTC product."

Shirley Williams
Ike's, Nashville, Tenn.

"In certain situations I would prescribe. Some pharmacists would need some additional training, though. But with the formulary, I don't see it as a problem. We have some other important issues to address before this."

Gerry Lavengood
K mart, Lombard, Ill.

U.S. forecasts stiffer mail-order competition

WASHINGTON — Retail pharmacists will face accelerating pressure from mail order prescription drug competitors during the next five years, according to Department of Commerce predictions.

In a recent study on the outlook for U. S. industry, government researchers reported that an estimated 40 million prescriptions are already dispensed by mail, and the number is expected to grow.

"One expert sees this figure doubling by 1992, and mail order prescriptions eventually capturing 10 percent of the prescription market," they said.

The value of shipments of all pharmaceutical shipments in 1987 rose to an estimated $29.7 billion, a rise of 8.3 percent in 1987. Forecasters predicted continued real growth in industry shipments over the next five years of about 1 to 2 percent.

"The market for products to treat AIDS alone is expected to reach $2 billion by 1992," economists said.

According to the report, mail order sales have combined with growth in health maintenance organization dispensing and pharmacists' substitutions to push generic sales to about $400 million per year. Moreover, economists forecast that the generic market could be twice its current size at the end of five years.

"Patent protection will be lifted on another 35 prescription drugs by 1992, adding an estimated $3.5 billion to generic sales," they said.

Pharmacists may also take a larger role in health counseling in the future as over-the-counter sales and the market for "controlled-release" drugs increase.

"It is estimated that 75 percent of American adults have some illness or injury each year—but only a third actually turn to professionals for help," researchers said. "The others self-diagnose and use OTC drugs." OTC drug sales grew about 6 percent a year, reaching an estimated $8 million in 1987, and are expected to climb to about $8.5 billion this year.

Trends and Forecasts: Drugs

Item	1985	1986*	1987**	% Change '85-'86	% Change '86-'87
Value of shipments	31,332	33,669	36,331	7.5	7.9
Biological products	2,713	2,945	3,190	8.6	8.3
Medicinals/botanic.	3,283	3,293	3,441	0.3	4.5
Pharm. preps.	25,335	27,429	29,700	8.3	8.3

*Estimated except for exports and imports

**Estimated

Source: U.S. Department of Commerce: Bureau of Census, Bureau of Economic Analysis, International Trade Administration

In addition, sales of controlled-released drugs will top $3.8 billion by 1992, according to projections. One government forecaster predicted that "pharmacists will soon be customizing medications and loading precise amounts of active ingredients on liposome and other delivery system carriers for specific action in the body."

Cough-cold planogram

Continued from page IP34

ing used by chain drug stores in their advertising for this category.

The chain drug store has two objectives in hitting the consumer with ads highlighting low prices for the best-selling items: to reinforce the "low price" competitive image, and to draw in the customer that has an immediate need for these products. By giving away Benadryl 24s at $2.99 or Dimetapp 4 ounces at $2.69, they can generate year-round interest in what was originally a seasonal category.

Ad spending has increased over the last two years and is reported to be about $250 million. Last year some established brands have had phenomenal increases over the previous years sales figures. Formerly available as a prescription-only item, Warner-Lambert's Benadryl was originally advertised as an allergy medicine, but in recent years the company has expanded the advertising year-round. Last year Benadryl 24s showed a 205-percent increase. Products like Co-Tylenol caplet 24s, Comtrex caplet 16s, Contac caplet 10s, and Dimetapp Extentab 48s have all shown increases over 40-percent sales increases during the past year.

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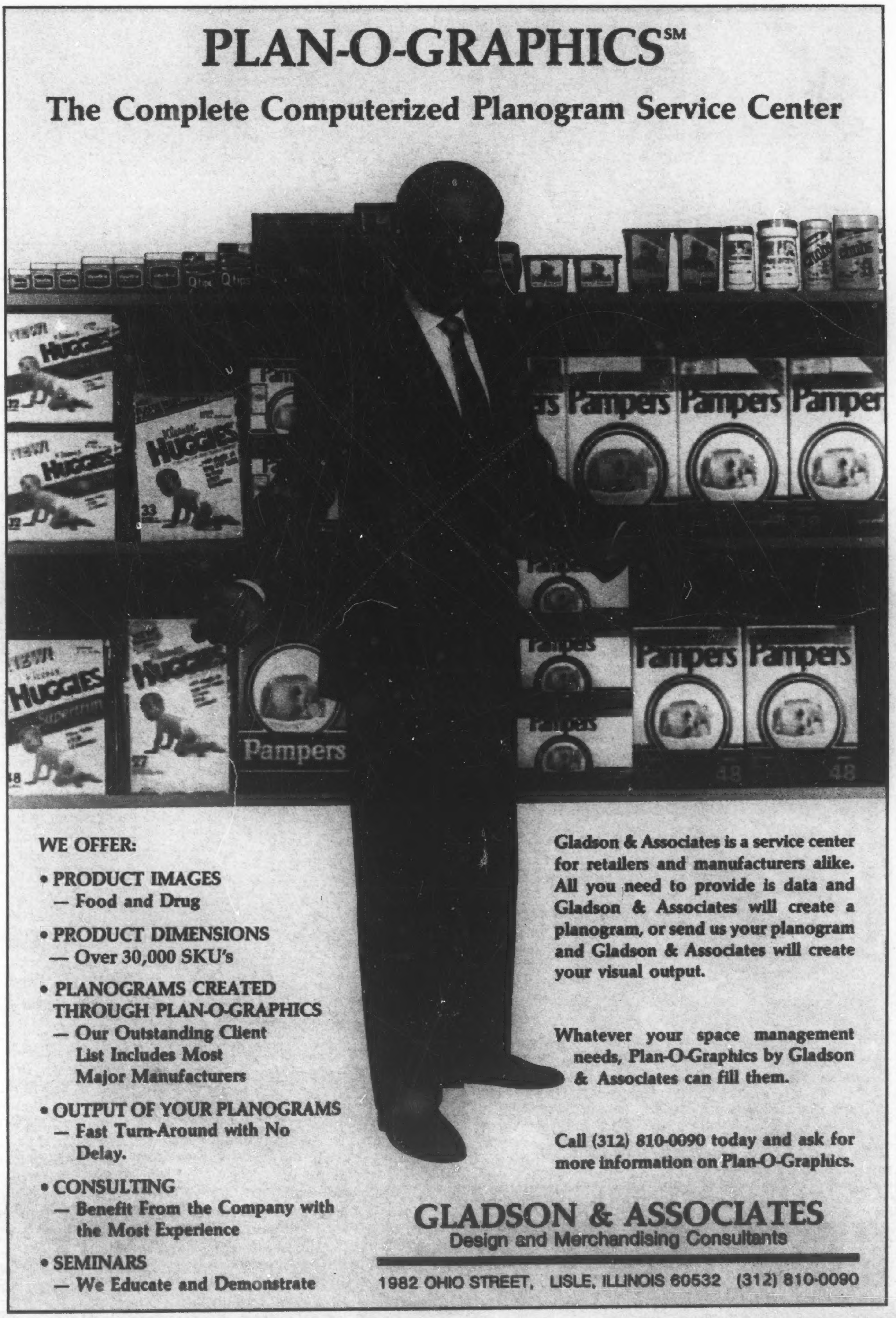

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Chain executives challenged by labor crunch

Continued from page 49

La.'s 12.6 percent; and Brownsville, Texas' 12.9 percent. The national average unemployment rate in May of civilians really looking for work was 5.6 percent, or about 6.8 million people.

Moreover, in a tight labor market, employee turnover increases markedly, according to Lewin, who noted that historically, the retail trade has had a high turnover rate because it draws extensively from teenage labor, which tends to have a higher turnover rate than older groups.

"Turnover is considered unacceptably high" at Wellby Super Drug Stores based in Portland, Maine, said vp Larry Plotkin. Other execs say the same for their chains.

What to do?

Labor experts chime, "Raise wages," and that is what a lot of drug chains have been doing, some yearly.

Arthur Drug Stores, based in Hartford, Conn., is in highly job-competitive markets. Supervisor Jay Mastriani recalls what happened when a supermarket moved next door to one of Arthur's stores and offered workers $5.50 an hour: "We nearly lost our whole crew." To compete, Arthur raised wages.

"We've always made a conscientious effort to pay well," said Nancy Belleman, director of personnel at Standard Drug in Richmond, Va. "We've been doing it for years, not just in this crunch situation. Every year, we raise the entry-level wage." But she said Standard isn't pointing up that fact enough, and she has set better marketing of its attractive wages and benefits as a goal.

Bill Eames, chairman and ceo of Bill's Drugs in California, said clerks start at $4.25 an hour and can work up to $7.25 in a year and a half.

Upstate New York-based Fay's, which has experienced increased payroll costs, has no problem in hiring at the minimum wage in some areas, according to Donald Bregandi, in charge of personnel. "But in other areas, you'll be in a shopping center where other retailers are paying 10 to 15 cents more than the minimum. We have to be more flexible than ever."

At Douglas Drug, in a state where the minimum wage is $3.65, Haronian said store clerks generally start at $4.50 an hour now, and that is reviewed after 30 days.

In Atlanta, where the minimum wage is $3.25, Drug Emporium's hourly wages start at between $3.50 and $4 and are reviewed after six months, said Jim Harn, vp-operations for the Atlanta region.

The question that looms is, how far can you raise wages and stay profitable?

Labor experts suggest chains may take other tacks, too, such as more consolidation of facilities and more automation. But while automation may help, it can't replace people in many areas, drug chain execs and labor experts agree.

"I don't see using it as a way of reducing labor costs," Plotkin said. "We'll always need people" because of the chain's emphasis on service.

While Standard's Belleman sees POS' advantages in such areas as inventory, it won't mean cuts in store-level personnel, but rather, "It will mean more time for customers and cleaner stores."

Another option is to increase benefits, but views differ on whether that will happen extensively. At least one chain, Drug Emporium, is creating more full-time jobs with benefits in lieu of some part-time positions in its Columbus, Ohio, area, in an attempt to attract and keep quality workers, according to Gail Thompson, vp-Columbus operations.

However, "An employer is more likely to take back benefits and put more into wages when they weigh benefit comp versus pay comp," said Lewin, who suspects benefits may even fall.

In chains that are unionized, contracts generally include benefits for part-time as well as full-time workers. But there has been an erosion in drug store union membership over the past two decades, as more chains have opened up non-union, said Al Zack, a spokesman for United Food and Commercial Workers.

The current tight job market should be advantageous for union organizing, according to Lewin: "In the past, times of economic expansion were when unions gained membership." But that stopped being true in the 1970s, he added. Unions tend to thrive when a firm has a stable full-time workforce, but "higher turnover, which prevails now, tends to make organizing difficult." However, if unions can pursue strategies such as merging, shifting emphasis from political activity to more organizing, and mounting appeals through the media to target white-collar workers, he continued, "we could see an eruption in the labor movement."

Reported impact of labor shortages on businesses

(Percentage reporting difficulties)

Problem	Mass merchandisers	Dept. stores	Specialty stores	Specialty chains
Particular problems	100%	76%	70%	85%
Lower sales	20	33	46	23
Reduced customer satisfaction	100	76	73	31
Higher training costs	80	53	27	36
Impact on profit	100	82	64	46
Lower performance	80	20	27	15
Poor morale	80	55	64	46

Of surveys mailed to 384 NRMA members, 64 responded, of which 47 percent were dept. stores, 8 percent mass retailers, 19 percent specialty stores, 20 percent specialty chains, and 6 percent, other.

Source: National Retail Merchants Association's 1986 survey of labor shortages in retailing.

Chains see solutions in stepped-up recruiting, training

To meet the labor shortage challenge, many chains are intensifying the recruiting strategies they've always used. Others are responding to the narrowed selection by stepping up their training programs. "Less selection has meant more training," said Tom Rosenthal, Standard Drug's president.

"The No. 1 goal in a tight labor market is keeping people; to do that, you have to train them," Michael Simpson, president of Drug-Sav in Tyler, Texas, agreed.

Many are looking at ways to enhance career opportunities and upward mobility. "We have to put the excitement back into retailing," said John Haronian, president of Rhode Island-based Douglas Drug. "We have to go into colleges and explain there's a career—a very nice one—in retailing."

There are still other options, and drug chains have shown considerable ingenuity in pursuing them. Here are some of the things they're doing:

- **Hiring older workers.** Given the aging of the large baby boom population, this is a main thrust, although some chains report spotty success in attracting them. Several chains are actively seeking out retirees and other older people through want ads, window signs, word of mouth or by recruiting at churches and senior citizens' centers.

Happy Harry's in New Jersey, for example, goes to senior citizens' centers and describes the work opportunities it offers. "We tell them we're flexible on hours and that we try to match individuals to store locations convenient to them," said Alan Levin, president, who added that the chain will continue pursuing this avenue "because it's helpful."

In appreciation of being given the opportunity to recruit, the chain presents gifts to the center, such as first aid kits or a portable oxygen machine, plus the center receives $10 per individual who is recruited.

Birch Drug, based in Haverhill, Mass., is launching a "brown-bag day" at senior centers, combining recruiting with a program in which Birch pharmacists help seniors with their medications. The seniors are asked to bring their medicines to the meeting in bags, and the pharmacist checks for duplications and offers other medication information.

See more labor shortage coverage, page 188

"You want as many older people as you can get," said Robert Souder, Rite Aid's senior vice president, personnel. "They're more stable, they enjoy the work, they're so much better with customers, there is less turnover—it's their overall work ethic."

But there's a drawback: "If employers look to seniors, they will have to be concerned about what prevents more elderly from working—losing Social Security benefits rapidly," said Columbia University's Professor David Lewin. Retirees lose 50 cents for every dollar they earn under $24,000, he explained, suggesting that an amendment to Social Security laws "would be the single biggest boon to employers." He also thinks Congress would be amenable to such a change. "The environment is bringing pressures to bear for legislative change."

- **Recruiting at schools.** Many chains—K&B, Drug Emporium, Fay's, Bill's and Reasner Drugs in Indiana, to name a few—are going into high schools and colleges to seek help.

Jim Harn of Drug Emporium in Atlanta speaks at career days. Gail Thompson, in the chain's Columbus area, has used high school Distributive Education programs for years, and works hard to strengthen relationships with schools. Through the DE work/study program, of which she's a product, students work in stores part of the school day and take courses stressing job skills and how to present themselves for interviews and on the job.

Standard Drug's director of personnel, Nancy Belleman, began going to career days at local junior and four-year colleges two years ago to recruit.

She also works with schools' summer job programs, finding that some summer workers will stay on part time after school starts.

- **Coordination with government-funded programs.** Standard is also active in the Richmond area Private Industry Council (PIC). There are PICs all over the country, funded by the federal Job Training Partnership Act (JTPA), which supports programs, with local business input, to help disadvantaged individuals and others to prepare for and find work.

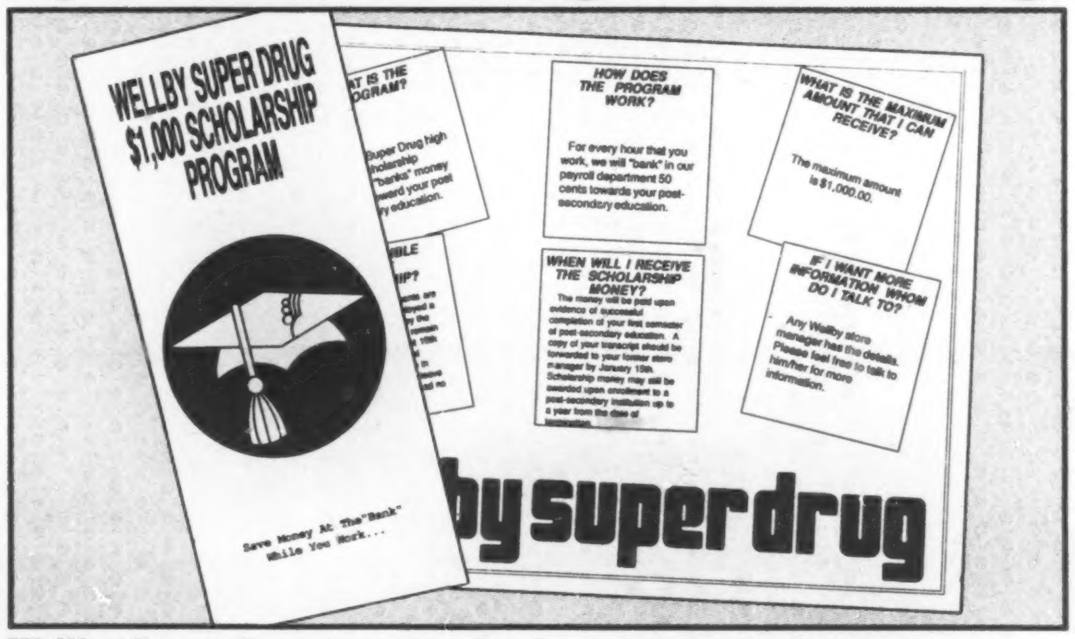
Belleman is on the board of the metropolitan area's PIC and draws employees from PIC's training program, which does the screening and job search for applicants. The PIC in her area, which is made up of local and county officials and private business people, helps find summer jobs, sponsors a cooperative education program with schools that stresses basic academic skills, and coordinates on-the-job training. Through the latter service, employers receive an up to six-month wage reimbursement on half the wages they pay new employees. The employer does the training.

PICs also promote the Targeted Jobs Tax Credit (TJTC), which is usually administered by a state's employment agency and whose eligibility requirements are similar. Through TJTC, employers get a 40 percent tax credit for wages they pay employees drawn from five groups.

"It's easy to tap into and take advantage of," said Wellford Dowdy, director of the Richmond-area PIC. "People in retail businesses especially benefit from TJTC, because they're attracting people who meet the eligibility profile," he explained.

The key component for a business seeking to take advantage of a tax credit program is to provide incentives for its managers to use it, Dowdy said. "Those companies that provide bonuses or allow tax credits to be subtracted from end-of-year costs reap a lot of benefit from participating in TJTC," he said. "But you need a carrot for store managers to be willing to participate."

He noted that there are for-profit consulting firms that relieve companies of the effort and paperwork involved in tapping into government tax credit and cash grant programs, but they are costly.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Chains seek innovative labor crisis solutions

Recruiting difficulty by type of retailer

(Percent)

Type of employee	Mass merchandisers	Dept. stores	Specialty stores	Specialty chain
Full-time	20%	48%	25%	55%
Part-time days	60	79	46	73
Evening and weekend	100	90	50	91
Less than $4/hour	100	96	67	100
Less than 18 years old	100	86	75	100
Males	60	75	50	78
Females	0	83	50	70

Source: National Retail Merchants Association's 1986 survey of labor shortages in retailing.

In addition to recruiting older workers, working with schools and tapping into government-funded programs, chains are stepping up other efforts, as well as venturing down new paths:

- **Flexible hours.** A number of drug chains stress flexibility on hours to lure teens and seniors to join them. "We point up flexible schedules and guaranteed hours in our ads," Drug Emporium's Gail Thompson said. Bob Ramsey, vice president for Drug Emporium's Washington, D.C. area, added, "We work our schedules around employees."
- **Non-traditional advertising vehicles.** Rite Aid, for example, has incorporated employment ads in its promotional ads in newspapers, as well as using abbreviated employment applications in bag stuffers. Other chains report trying these methods, as well as using the backs of prescription receipts to announce employment opportunities to seniors.
- **Scholarships.** Maine-based Wellby Super Drug recently launched a scholarship program as an incentive to college-bound high school students and to help reduce turnover. Through the program, the result of a brainstorming session among store managers, Wellby provides and "banks" 50 cents for every hour a high school student works, and pays the student the accumulated money toward his or her college education. To gain the scholarship, students must work a minimum of six months for the chain and remain employed through Aug. 15 following their high school graduation. The maximum amount of the scholarship is $1,000.
- **Bonuses.** Standard Drug's Nancy Belleman said that twice in the past five years she has offered a $500 bonus to store managers who find an acceptable store manager applicant, "when I'm desperate." But, "I got one manager out of it each time—it wasn't that successful."

Birch Drug in Massachusetts offers the choice of $500 or an extra week of vacation to pharmacists who attract a new pharmacist. They usually pick the extra vacation, said Stephen Birch, who is in charge of personnel.

- **Employee incentives.** Several chains, such as Georgia-based Dunaway Drug Stores, stress employee recognition with an "Employee of the Month" program.

Drug Emporium in the D.C. area recently initiated such a program, said area vp Bob Ramsey. "Everybody's eligible, including managers." Rewards include a minimum of $25 and a pin, plus the employee's name is added to a plaque displayed in the store. All employees vote when they pick up their paychecks, giving two reasons why they nominated the person. Then a three-member committee, made up of last month's winner, the store manager and another employee, make the final decision, "so it won't be a popularity contest."

Chains are also stressing and expanding career opportunities to find and keep good people. "Our studies indicate that the No. 1 attraction of Arbor to potential employees is a career opportunity within our organization," said Eugene Applebaum, chairman and chief executive officer of Arbor Drugs, Troy, Mich. "Our key management positions in store operations and merchandising have just about all been filled by individuals who joined us in an Arbor store."

Other incentives abound. Standard, as well as some other chains, uses a pay schedule that is reviewed after the first six months. In addition to automatic raises given to full-time employees once a year, merit raises are offered to part-timers, based on their store manager's and supervisor's evaluation.

White Drug Enterprises in Minnesota hands out "WOW (White's Outstanding Workmanship) Award" cards to employees who have created an attractive display or "talk especially nice to customers," said president Henry Beinert. The card is redeemable from the employee's store manager, and the award is $10.

Although not directly classifiable as an incentive, Bill's Drug illustrates how some companies show sensitivity to their employees' needs in making major decisions. According to Eames, one of the main factors in deciding on a site for Bill's new headquarters and warehouse this year was to pick a location where housing was affordable for employees working at the facility.

- **Help wanted ads.** Nearly every chain contacted reported it uses newspaper want ads, and Drug Emporium even runs help-wanted ads in college newspapers in the Columbus area. But many execs said ads draw fewer applicants and sometimes none. Often, the applicants whom ads pull are "the bottom of the barrel," said one personnel head.
- **Signs posted on windows and in-store.** Where signs used to pull walk-in applicants in healthy numbers, "they just trickle in now," as one exec put it. Another said she takes the signs down from time to time; when they're put up again, it sparks renewed interest.
- **Training programs.** Many chains are stepping up their training programs, including adding full-time trainers.

Some, like Kerr Drug Stores in North Carolina and Douglas Drug, have added videotapes to help in training, especially of cashiers and clerks. "If you let employees know what to do, they will do a great job for you; their job satisfaction goes up," said Jimmy Jackson, a Kerr district manager.

Although some Western chains report less of a labor-shortage problem than some areas, they, too, are scrutinizing their training programs. "We do way more training than before," said Val Storrs, senior vp, operations at Seattle-based Bartell Drug.

Bill Eames of Bill's Drugs, whose training program includes a full-time person to train assistant managers, said, "As an industry, we do a poor job of training. Training implies the ability to delegate. Supermarkets do a much better job—they pay better and have less turnover. They do it through more training, testing and re-training."

"There is a future in retailing; it's exciting," said Austin Drug president Gary Spielfogel. "But you have to back it up with training."

Although drug chains apparently haven't tried reimbursing employees' transportation expenses or initiating busing yet, a few said they are seriously thinking about it. At least one chain, Rite Aid, has instituted an 800 hotline number for employment inquiries.

Word-of-mouth still helps

But for many chains, simple word-of-mouth is still a potent means of finding help. "If I'm working the cash register, I'll ask a customer if she knows of someone who wants a job," said one manager.

Many place reliance on maintaining a pleasant environment to attract employees.

> *'Our studies indicate that the No. 1 attraction of Arbor to potential employees is a career opportunity within our organization,' said Applebaum.*

"As a whole, this industry doesn't sell the advantage of working for a drug chain enough," said Stephen Birch of Birch Drug.

Although chains are worried about the effect on their bottom lines of growing labor costs, they're equally concerned about the effect on their employees' morale and, ultimately, the effect on customers.

"It's a source of frustration for store managers who are constantly searching for help," said Larry Plotkin, vice president of Portland, Maine-based Wellby Super Drug Stores. Plotkin added that at Christmastime, his managers often worked excessively long hours. Moreover, "it hurts our customer service when we have less experienced employees."

The labor shortage "affects everybody who works for your company," agreed Belleman of Standard Drug. "For managers and clerks in the stores, it has got to be a negative. It's going to affect our employees and customers. I don't think customers are walking out empty-handed, but if things keep going like this, it's going to be a huge problem.

"Right now, I have two truckloaders and an opening for a third. I tell them, 'I'm looking, please believe me,' and they look at me as if to say, 'Are you *really*?' By the 1990s, I'm going to be screaming."

PROCTER & GAMBLE
NOTICE TO OUR CUSTOMERS

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Bar Soap & Household Cleaning Products Division
Beauty Care Division
Beverage Division
Food Products Division
Health & Personal Care Division
Packaged Soap & Detergent Division
Paper Products Division
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Easy to carry & use lipstick form,
(no camphor, phenol or ''caines'')
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
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DRUG STORE NEWS®

Vol. 10/No. 14 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. July 4, 1988

Skaggs casts Lucky in crucial American role

New Lucky stores will incorporate elements of the chain's new Advantage store prototype, which opened in San Diego.

By James Frederick

SALT LAKE CITY — Newly acquired Lucky Stores had a starring role at American Stores Co.'s annual meeting of shareholders here June 14. Company chairman L. S. (Sam) Skaggs, who now heads the nation's largest supermarket conglomerate with the addition of Lucky, devoted much of the meeting to an in-depth look at the new acquisition and its role in American Stores' future.

That role will be a crucial

See **Lucky,** *page 145*

Scott's appointment signals shift in American's strategy

SALT LAKE CITY — Shareholders at American Stores' annual meeting June 14 got their first look at former Longs Drug Stores executive vp Dick Scott, who joined the company in May to become chairman, ceo and president of some 300 western-region Osco/Sav-On drug stores.

Scott, 52, will eventually take over as head of Ocso stores west of Colorado, according to vp of investor relations J. Michael Holt. The appointment signals a change in direction for American Stores, away from some elements

See **Scott,** *page 145*

Revco readies new debt plan as payment date passes

TWINSBURG, Ohio — As anticipated, Revco D.S. failed to make a $46 million semi-annual interest payment on $703.5 million in subordinated debt by its June 15 due date, marking the most serious stage yet in the company's ongoing debt crisis.

At the same time, however, Revco executives sought to reassure their suppliers, creditors and bondholding investors that the company was nearing completion of a new financing plan which would allow its cash flow from operations to catch up with the demands of its billion-dollar debt load.

Failure to make payment triggered a downgrade in Revco's bond rating by Moody's.

Revco chairman and ceo Boake Sells and other executives had been warning the financial community and other parties for months that it would probably be unable to make its scheduled payment.

Sells blamed unrealistic projections for future performance made at the time of Revco's leveraged buyout for its current debt problems, saying a new, more realistic financing plan, based on its current cash flow, was essential if the company was to avoid bankruptcy.

"Despite what everybody says,

See **Revco,** *page 145*

NACDS Marketplace: Essential power-to-power event

What's happening in the Orlando, Fla. market

With this issue, Drug Store News *launches monthly coverage of timely news events in specific markets.*

Revco will be closing all but one of its remaining 19 stores in Orlando and southern markets.

Market sources said the stores were shopped around, apparently without much success. Drug store owners received packets with detailed information on stores' leases, average volumns, inventory, weekly scripts, and other facts.

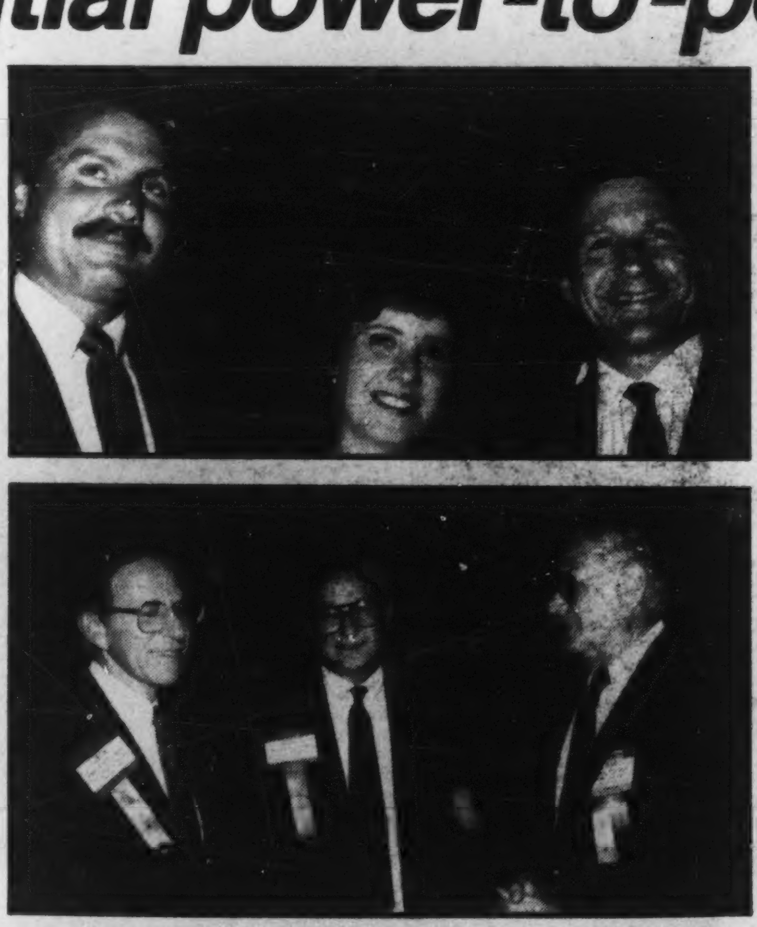
They will instead be shuttered, except for one Orlando unit, which is being sold to the pharmacist, a Revco spokesperson said.

Rite Aid bought 11 Revco stores in southern markets in April. Revco is retaining 63 stores in northern Florida zones.

* * *

Walgreen's stores and independent and chain drug stores

See **What's,** *page 145*



Informal meetings were a large part of the 1988 NACDS Marketplace. In top photo, Harvey Rosenthal, CVS (r), stands with Richard and Linda Duffy, Quick Chek. At bottom, Jack Robinson, Perry Drug (l), chats with Dick Eils, Thrifty (c), and Jerry Gilbert, Johnson & Johnson Health Care.

By Al Heller

ORLANDO — The NACDS Annual Marketplace Conference is quickly securing its place as an essential industry event, according to many of the 1,000-plus drug chain attendees here at the Marriott Orlando World Center last month.

The 275-booth exhibit floor at this second Marketplace will expand to 350 at next year's show in Opryland.

Stewart Turley, chairman of NACDS and Eckerd, said the trade group wants Marketplace to undergo measured growth each year. He, like many chain executives, recognizes that much of the show's

See **Marketplace,** *page 145*

LATE NEWS

- COLUMBUS, Ohio — A $20 million public stock offering by Drug Emporium was slated to begin trading on the NASDAQ exchange June 28, company president Gary Wilber said.

- ORLANDO, Fla. — At the 1988 NACDS Marketplace, *Drug Store News* learned that:
–Former Begley vp-marketing Mitch Jacobs has joined Medicare-Glaser as vp and director of buying and merchandising, and Billie Carpenter, ex-cosmetics buyer at Begley, has joined Revco.
–Former Peoples vp Gerald Katz has joined Fay's Drug as general merchandise manager, reporting to vp-merchandising Jim Wuest.
–Allen Nehman, former senior vp-merchandising at Dart Drug, has joined Austin Drugs as vp-marketing. Also at Austin, Gene Lerner was named vp-operations and Howard Owen vp-store planning.

Megadistributor in the making: McKesson's tab for Alco $500M

By Susan Ball

SAN FRANCISCO — McKesson Corp. has reached a definitive agreement to buy Alco Health Services Corp. for $30 a share, or roughly $500 million, the nation's largest wholesaler announced.

A tender offer for all Alco Health stock was due to start last Monday.

McKesson's bid followed a $26-per-share LBO attempt by Alco managers.

A merging of McKesson, which holds an approximate 28-percent share of the wholesale drug distribution market, and Alco Health, with about 10 percent, would represent McKesson's largest acquisition ever. Alco Health is about 50-percent owned by Alco Standard Corp.

See related story, page 3

McKesson, which posted about $5 billion in wholesale drug sales for fiscal 1988 (ended March 31), would gain about $2 billion through acquisition of Alco Health. With its just-completed acquisition of Northwestern Drug Co., McKesson would reach approximately $7.7 billion-$8 billion in sales on a *pro forma* basis for its current fiscal year, according to Marvin Krasnansky, McKesson vp-corporate relations.

The anticipated offer was characterized as "friendly" and a good match by McKesson spokesmen and industry observers, who noted that

Continued on page 146

NEWS IN BRIEF

Perry caps management realignment

PONTIAC, Mich. — Perry Drugs has named Peoples Drug veteran Richard Barker as executive vp and chief financial officer, filling a spot vacant since the resignation of Alvin Wander.

Perry has also named Michael Klein, formerly of Baxter Travenol, as president of its Health Care Division. In addition, the company has promoted vp, general counsel and secretary Bob Berlow to senior vp.

Also, Gary Allen, executive group vp for drug store operations, has been named to the additional post of corporate senior vp-store operations.

Perry recently consolidated all drug store operations under Allen, who reports to company president David Schwartz.

"These appointments take care of our senior realignment," said vp-corporate communications Berl Falbaum.

Hundreds of drug store industry executives turned out last month to honor Phil Wilber, president of Drug Emporium (third from left), at a benefit dinner for the Friends of Hebrew University. The dinner-goers included, from left, David Bloom, chairman of Shoppers Drug Mart, Dan Wassong, president of Del Laboratories, and Sol Levine, president of Revlon. David Eisenberg of Peoples presided at the event, which was held at the Marriott Marquis in New York.

Transworld housewares show July 8-12

CHICAGO — Buyers can prepare for the fall's selling season by choosing from thousands of new products offered at the 53rd Transworld Housewares and Variety Show, July 8 through 12, at the O'Hare Exposition Center.

Complete lines will be ready for viewing and purchasing, as well as for comparing products from different manufacturers. Transworld Exhibits has negotiated special hotel rates for exhibitors and buyers attending the show.

For information on buyer and exhibitor registration, contact Ray Passis, Transworld Exhibits, 1850 Oak St., Northfield, Ill. 60093, (312) 446-8434.

Arbor Drugs recently opened a new store at 43301 Joy Road in Canton Township, Mich. On hand for the ribbon (and balloon) cutting ceremony were (from left to right) Donald Stuturd, vp of Arbor store operations, James Poole, Canton Township supervisor, and store manager Steve Johnson.

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Vol. 10, No. 14 July 4, 1988

Fred Meyer: Calif. here we come

PORTLAND, Ore. — Superstore operator Fred Meyer is expanding its territory this summer with its first entrance into California.

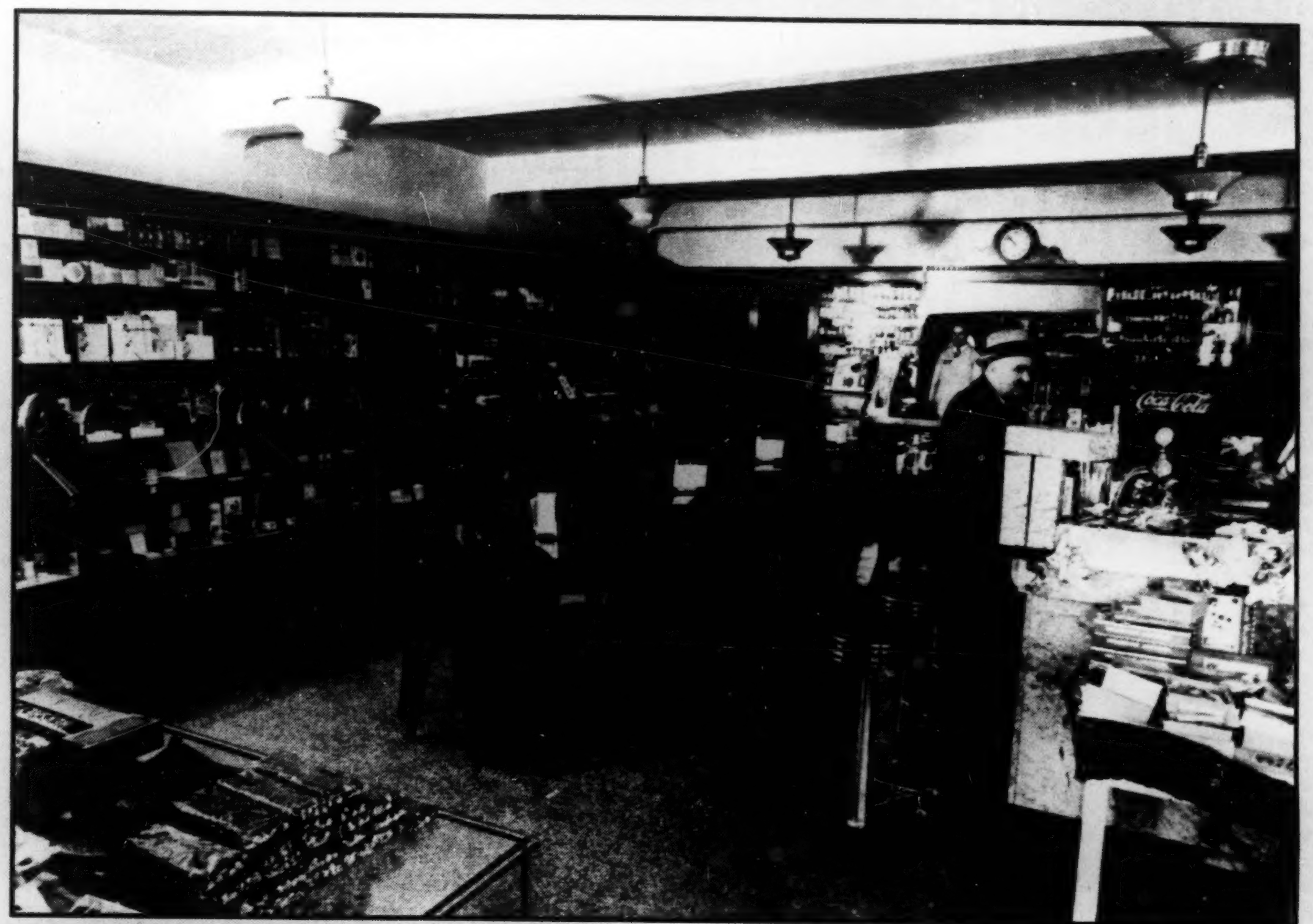
The 100-store chain of predominantly one-stop-shopping stores that range up to 200,000 square feet operates pharmacies in all 91 of its multiple department stores.

The entry—rumored for some months—will come in the form of 1,500-square-foot freestanding fine jewelry stores. The first will open in August in Chico; another will open in Eureka this fall.

Announcement of the entry came at the company's recent annual meeting, presided over by new chairman and ceo Fred Stevens. Stevens left K mart in April, where he was executive vp in charge of specialty stores, including Pay Less NW.

Stevens said Fred Meyer is both expanding and upgrading its stores this year, while carefully monitoring incoming competition. Discounters Target and Shopko are both entering Fred Meyer territory this year.

Sixty years of drug store retailing



This Medicare-Glaser drug store in the late 1930s displayed candy hearts next to its fragrance counter for Valentine's Day treats. The soda fountain was not too busy at this time of day, but the pharmacist stood behind the prescription counter, ready to greet customers and advise them on products which would relieve them of their symptoms.

The following item was taken verbatim from the pages of Chain Store Age Drug Edition, *in the July 1970 issue, when the first Triple-A product study was published.*

What is a Triple-A product?

Basically, it is a product that shoppers know by name, by reputation, and by package—*and purchase by price*. Thus, there is an involvement among the product, the customer, and the price of the product which usually produces a sale.

The key element in that involvement is price. Triple-A products are carried everywhere—in supermarkets, discount houses, small drug stores, chain drug stores. The chain drug merchandiser's job is to make the customer buy the product at the chain drug outlet. And he does this with price—an everyday price that shoppers know and trust, an average promotional price that is better than anyone else's, a low promotional price that will bring customers into the store.

In the end, that is the primary function of Triple-A merchandise—to draw traffic. On much of this merchandise, much of the time, margins are negligible. But all Triple-A merchandise is well known-and, by pricing it sharply, this merchandise becomes the key to pulling traffic on an ongoing basis.

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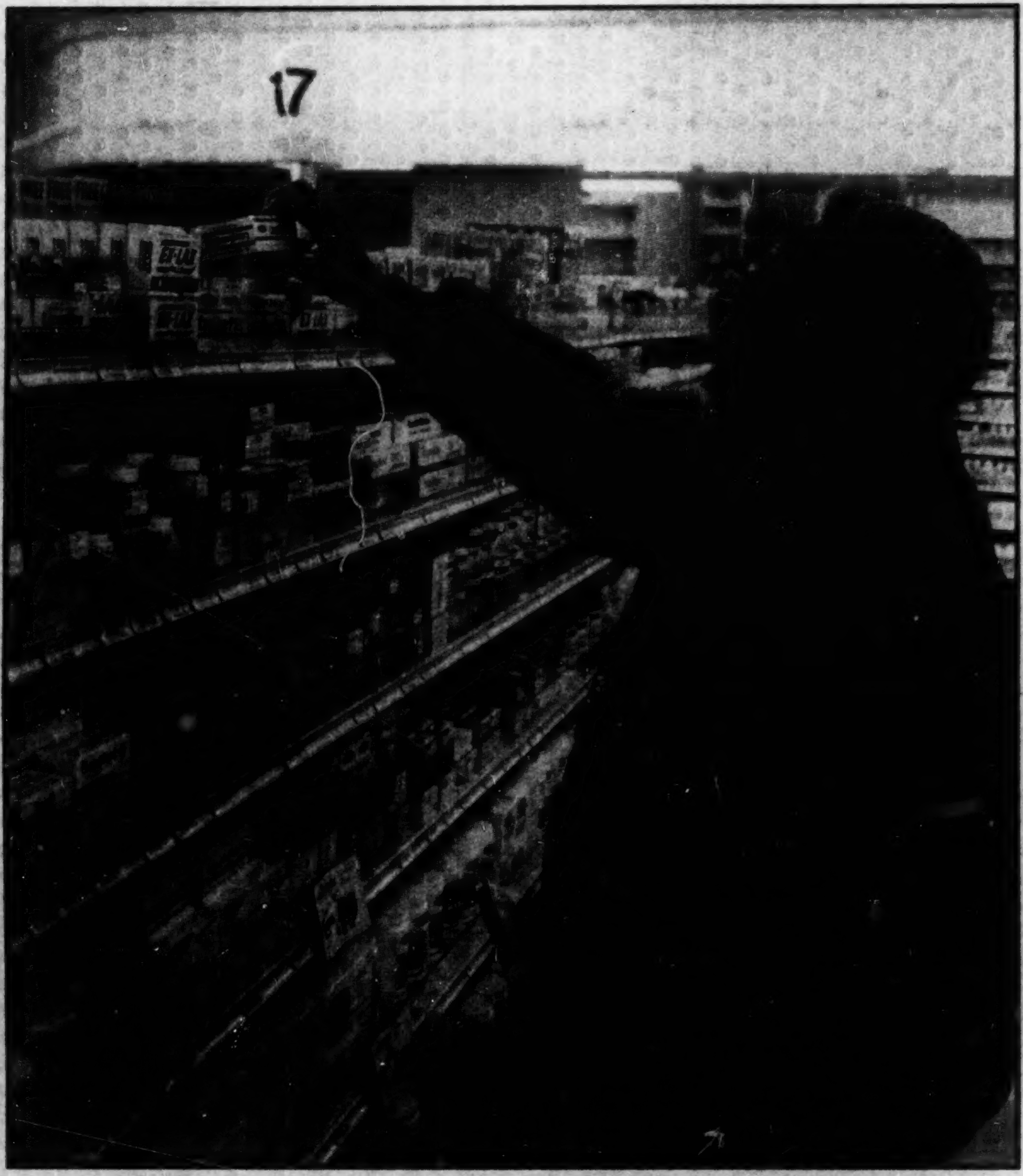
The *Drug Store News* Triple-A Product Study:



Drug chains are at their best merchandising the products that have earned the Triple-A high performance designation, based on unit movement and dollar sales.

These are the branded items on which drug chains have lavished much merchandising and promotional attention. The Triple-A categories—among them cough-cold, lens care, film, batteries and analgesics—represent the opportunities chains use to outshine the competition by focusing on the latest new products and line extensions, the broadest assortments, and the sharpest pricing.

The Drug Store News 19th Annual Triple-A Product Study specifies these leading OTC and general merchandise products which performed the best during the past calendar year. Product movement data from major drug chains nationwide determined the rankings.

Some of the products are among the most exciting in any channel of retail trade. And as products suited to drug stores' health care environments, they've contributed mightily to retailer profits.

The condom category was one of the health-related areas that surged. Merchandisers

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Brand leaders ignite key categories, spark merchandising excitement

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150 Hottest Health & Beauty Aid Items

(by number of units sold)

Rank	Product name	Rank	Product name	Rank	Product name
1	FLEET ENEMA 4.5	51	Q-TIPS SWABS 170	101	CREST TARTAR CONTROL GEL PUMP 4.6
2	ADVIL TABLETS 24	52	CREST TARTAR CONTROL GEL 4.6	102	DIMETAPP EXTENTABS 12
3	TYLENOL EXTRA STRENGTH CAPLETS 50	53	CREST GEL 6.4	103	ANACIN 12
4	TYLENOL EXTRA STRENGTH TABLETS 30	54	ANACIN 50	104	VICKS VAPO-RUB 3
5	B&L SENSITIVE SOLUTION 12	55	BENADRYL REG TABLETS 24	105	REACH FULL SIZED SOFT
6	CREST TARTAR CONTROL 6.4	56	CAREFREE PANTY SHIELD 26	106	COLGATE TARTAR PASTE 6.4 OZ.
7	Q-TIPS 300	57	J&J BABY OIL 4	107	VIVARIN TABLETS 40'S
8	MENNEN SPEED STICK 2.5	58	DRIXORAL 10	108	J&J BABY POWDER 9
9	AQUA NET HAIRSPRAY SUPER 9	59	MAALOX LIQUID 12	109	ANACIN 30
10	MYLANTA LIQUID 12	60	FIXODENT 1.5	110	CENTRUM 100+30
11	PEPTO BISMOL LIQUID 8	61	BIC DISP RAZORS LADIES 5	111	GILLETTE ATRA PLUS REFILL 5
12	VISINE 0.5	62	ALKA SELTZER PLUS 12	112	AQUA NET HAIRSPRAY XSUPER 9
13	BENADRYL CAPSULES 25 MG. 24	63	GILLETTE TRAC II REFILL 10	113	TAMPAX SUPER 40
14	TAMPAX SUPER 10	64	ADVIL TABLETS 100	114	BAN ROLL-ON REGULAR 1.5
15	AOSEPT DISINFECT SOLUTION 8 OZ.	65	PREPARATION H OINTMENT 1 OZ.	115	TYLENOL DROP 15 ml.
16	ROBITUSSIN DM COUGH SYRUP 4	66	PLAYTEX DEOD TAMPON SUPER 28	116	CORRECTOL 30
17	ALKA SELTZER PLUS 20	67	VASELINE PETROLEUM JELLY 1.75	117	FLEET MINERAL OIL ENEMA 4.5
18	TYLENOL CHEWABLE TABLETS 30	68	UNISOL SALINE SOLUTION (2) 8	118	EXCEDERIN EXTRA STRENGTH TABS 30
19	BIC DISPOSABLE RAZOR 5	69	TYLENOL EXTRA STRENGTH TABLETS 100	119	CONTAC CAPLETS 10
20	NEOSPORIN OINTMENT .5	70	LISTERINE MOUTHWASH 12	120	COLGATE PUMP TARTAR GEL 4.3
21	TYLENOL EXTRA STRENGTH TABLETS 60	71	PLAX ANTI-PLAQUE RINSE 8	121	BAYER ASPIRIN 50
22	GILLETTE GOOD NEWS 5	72	EFFERDENT TABLETS 96	122	ADVIL CAPLETS 50
23	AQUA NET HAIRSPRAY SUPER UNSCENT 9	73	GILLETTE GOOD NEWS 10	123	TUSSY CREAM 2
24	TYLENOL EXTRA STRENGTH CAPLETS 24	74	ADVIL TABLETS 50	124	ROBITUSSIN DM 8
25	SUDAFED 30MG. TABLETS 24	75	PLIAGEL LENS SOLUTION .85	125	PEPTO BISMOL LIQUID ANTACID 4
26	TYLENOL EXTRA STRENGTH CAPLETS 100	76	NYQUIL 6	126	EFFERDENT TABLETS 60
27	MYLANTA II LIQUID 12	77	VICKS FORMULA 44-D 4	127	ROBITUSSIN PE 4
28	LISTERINE MOUTH WASH 32	78	ACTIFED TABLETS 24	128	LADY SPEED STICK LT. MUSK 1.5
29	TROJAN ENZ LUB 3	79	BIC DISPOSABLE RAZORS 10	129	JOHNSON DENTAL FLOSS 50 YD. WAXED
30	VASELINE LIP THERAPY	80	MENNEN SPEED STICK SPICE 2.5	130	AODISC REPLACEMENT 1
31	AFRIN NASAL SPRAY .5	81	WHITE RAIN HAIR SPRAY XTRA HOLD 7.5	131	COLGATE REG TARTAR CONTROL 4.6
32	TAMPAX SLENDER REG 10	82	ROLAIDS 12	132	MENNEN AP STICK FRESH 2.25
33	BIC DISP RAZOR SENS SKIN 5	83	GILLETTE ATRA PLUS REFILL 10	133	SUDAFED TABLETS 30 MG 48
34	DIMETAPP ELIXIR 4	84	OLD SPICE AFTERSHAVE 4.25	134	ACTIFED TABLETS 12
35	AQUA NET HAIR SPRAY UNSCENTED 9	85	CHAPSTICK RACK ASST FLAVORS 0.15	135	TRESEMMÉ HOT OIL TREATMENT 1 OZ.
36	ALKA SELTZER PLUS 36	86	ORAL B ADULT TOOTHBRUSH TABBED	136	GILLETTE MICRO TRAC 5
37	ANACIN 100	87	COMTREX TABLETS 24	137	REACH FULL SIZE FIRM
38	COLGATE TOOTHPASTE 7	88	SCOPE MOUTHWASH 24	138	CREST TARTAR CONTROL 4.6
39	CREST MINT FAMILY 6.4	89	OIL OF OLAY 4	139	LISTERINE MOUTHWASH 18
40	BENADRYL ELIXIR 4	90	AQUA FRESH 6.4	140	DIMETAPP EXTENTABS 24
41	TROJAN ENZ LUB 12	91	VASELINE PETROLEUM JELLY 3.75	141	WHITE RAIN NON-AER XHOLD 8
42	ROLAIDS 3s	92	TUMS 3s	142	EFFERDENT TABLETS 40
43	BAYER ASPIRIN 100	93	TAMPAX ORIGINAL REGULAR 40	143	VASELINE INTENSIVE CARE 15
44	COLGATE TOOTHPASTE 5	94	CHLORASEPTIC SPRAY CHERRY 6	144	Q-TIPS 54
45	GILLETTE GOOD NEWS PIVOT 5	95	LADY SPEED STICK POWDER FRESH	145	J&J BABY POWDER 14
46	HALLS COUGH DROPS MENTHOLYPTUS 9	96	ULTRA BRITE TOOTHPASTE 6	146	MASSENGILL DISP VIN/WATER XMILD 2/6
47	B&L SALINE SOLUTION 12	97	EDGE GEL SENSITIVE 7	147	WHITE RAIN SH X-BODY 18 OZ.
48	TAMPAX SUPER PLUS 10	98	CREST TARTAR CONTROL GEL 6.4	148	WHITE RAIN NON-AER UNSCENTED 8 OZ.
49	ADVIL CAPLETS 24	99	PEDIALYTE READY TO USE FRUIT 32	149	NUPRIN TABLETS 24
50	PLAX ANTI-PLAQUE RINSE 16	100	ROBITUSSIN CF 4	150	BUFFERIN 100'S

Source: Drug Store News research

150 Hottest Health & Beauty Aid Items

(ranked by dollar volume)

Rank	Product name	Rank	Product name	Rank	Product name
1	TYLENOL EXTRA STRENGTH CAPLETS 100	51	TYLENOL REGULAR 100	101	CONTAC 12 HOUR CAPSULES 10'S
2	B&L SENSITIVE SOLUTION 12	52	Q-TIPS 300	102	SUDAFED PLUS TABLETS 24
3	MYLANTA II LIQUID 12	53	TYLENOL EXTRA STRENGTH TABLETS 200	103	GILLETTE ATRA PLUS REFILL 14
4	BENADRYL CAPSULES 25 MG. 24	54	ASCRIPTIN 100'S	104	BENYLIN COUGH SYRUP 4
5	TYLENOL EXTRA STRENGTH CAPLETS 50	55	ADVIL TABLETS 165	105	ACTIFED TABLETS 100
6	MYLANTA LIQUID 12	56	PEPTO BISMOL LIQUID 4	106	CONTAC CAPLETS 20
7	AOSEPT DISINFECT SOLUTION 8 OZ.	57	ADVIL TABLETS 165	107	BENADRYL ALLERGY/DECONG. CAPS 24
8	ADVIL TABLETS 50	58	ACTIFED TABLETS 24	108	Q-TIPS SWABS 170
9	TYLENOL EXTRA STRENGTH TABLETS 100	59	SUDAFED TABLETS 30 MG 48	109	FIXODENT 1.5
10	OIL OF OLAY 4	60	MENNEN SPEED STICK 2.5	110	DOANS PILLS 24
11	CENTRUM 100+30	61	B&L SENSITIVE DAILY CLEANER 1 OZ.	111	PLAX ANTI-PLAQUE RINSE 8
12	ADVIL TABLETS 100	62	METAMUCIL POWDER ORANGE 21	112	VICKS FORMULA 44-D 8
13	ROBITUSSIN DM 4	63	PEPTO BISMOL 16	113	VICKS VAPO-RUB 1.5
14	AFRIN NASAL SPRAY .5	64	DIMETAPP ELIXIR 8 OZ.	114	B&L DISINFECTING SOLUTION 12
15	SUDAFED 30MG. TABLETS 24	65	ADVIL CAPLETS 50	115	CO-TYLENOL TABLETS 24
16	LISTERINE MOUTH WASH 32	66	UNISOL SALINE SOLUTION (2) 8	116	GILLETTE ATRA 5
17	TYLENOL EXTRA STRENGTH TABLETS 60	67	PRIMATENE NASAL MIST 15CC	117	CREST TARTAR CONTROL GEL 6.4
18	TYLENOL EXTRA STRENGTH CAPLETS 24	68	CORRECTOL 30	118	RIOPAN PLUS 12
19	ALKA SELTZER PLUS 20	69	TUMS FLAVORS 150	119	ACTIFED TABLETS 12
20	BAYER ASPIRIN 100	70	BENADRYL CAPSULES 48	120	NUPRIN TABLETS 50
21	NYQUIL 6	71	VICKS FORMULA 44-D 4	121	OS-CAL 500 120
22	DRAMAMINE TABLETS 12'S	72	DRIXORAL 40	122	EXCEDERIN EXTRA STRENGTH TABS 30
23	MAALOX PLUS LIQUID 12	73	NYQUIL CHERRY 6 OZ	123	CHLORASEPTIC SPRAY CHERRY 6
24	TYLENOL EXTRA STRENGTH TABLETS 30	74	ALKA SELTZER FOIL WRAP 36'S	124	COMTREX TABLETS 50
25	ALLERGAN SOFLENS TABS 24	75	CREST TARTAR CONTROL 6.4	125	NUPRIN 100
26	BENADRYL 25 ALLERGY MED TABLETS 24'S	76	BAYER ASPIRIN 50	126	COLGATE TOOTHPASTE 5
27	TYLENOL DROPS 15ML	77	NYQUIL 14	127	NIGHT OF OLAY 1.7
28	ROBITUSSIN DM 8	78	METAMUCIL POWDER ORANGE 14	128	ROBITUSSIN PE 4
29	ANACIN 100	79	ROBITUSSIN CF 4	129	TRIAMINICOL 4
30	NEOSPORIN OINTMENT .5	80	BUFFERIN 100'S	130	POLIDENT TABLETS 84
31	ALKA SELTZER PLUS 36	81	COMTREX TABLETS 24	131	ORAL B ADULT TOOTHBRUSH TABBED
32	FLEET ENEMA 4.5	82	ALLERGAN SOFLENS TABLETS 36	132	TYLENOL ELIXIR 2
33	PEPTO BISMOL LIQUID 8	83	LISTERINE MOUTHWASH 12	133	VIDAL SASSOON SHAMPOO 12
34	EXCEDRIN 100	84	ANACIN 200	134	ROBITUSSIN 4
35	GAVISCON TABLETS 100	85	ADVIL CAPLETS 24	135	TYLENOL CHEWABLE TABLETS 30
36	FIXODENT 2.5	86	COLGATE TOOTHPASTE 7	136	NEUTROGENA T/GEL SHAMPOO 8.5
37	ALLERGAN LENS PLUS 12	87	SUDAFED TABLETS 100	137	NEOSPORIN CREAM .5
38	PLAX ANTI-PLAQUE RINSE 16	88	B&L SALINE SOLUTION 12	138	CREST MINT FAMILY 6.4
39	METAMUCIL REGULAR 21	89	ALCON OPTI-ZYME TABLETS F24	139	CORTIZONE 5 CREAM 1 OZ.
40	THERAGRAN M 100+30	90	GILLETTE TRAC II REFILL 10	140	VISINE A.C. 0.5
41	NYQUIL 10	91	ECOTRIN TABLETS 250	141	LISTERINE MOUTHWASH 24
42	VISINE 0.5	92	ADVIL CAPLETS 100	142	DEXATRIM MAX STRENGTH CAPS 20'S
43	OIL OF OLAY	93	SCOPE MOUTHWASH 24	143	TRIAMINIC EXPECTORANT 4
44	DRIXORAL 10	94	EFFERDENT TABLETS 60	144	VASELINE LIP THERAPY
45	NEOSPORIN OINTMENT 1 OZ.	95	DRISTAN ADVANCED FORMULA TABS 24	145	AQUA NET HAIRSPRAY XSUPER 9
46	DIMETAPP EXTENTABS 24	96	ASCRIPTIN AD TABLETS 100	146	HEAD & SHOULDERS NORM/OILY 15
47	OS-CAL 500 60	97	JOHNSON & JOHNSON BAND-AID SHEER 60	147	PONDS COLD CREAM MED 3.5
48	GILLETTE ATRA PLUS REFILL 10	98	DULCOLAX TABLETS 25	148	ROBITUSSIN CF 8
49	ECOTRIN TABLETS 100	99	CREST REGULAR 6.4 OZ.	149	EFFERDENT TABLETS 40
50	DIMETAPP EXTENTABS 12	100	HALLS MENTHO-LYPTUS DROPS 30 CT	150	DRISTAN ADVANCED FORMULA TABS 100

Source: Drug Store News research

150 Hottest General Merchandise Items

(ranked by number of units sold)

Rank	Product name	Rank	Product name	Rank	Product name
1	DURACELL ALKALINE BATTERY AA 4 CT	51	KODAK ALKALINE BATTERY C 2 CT	101	PAPERMATE WRITE BROS BLACK
2	ENERGIZER ALKALINE BATTERY AA 4 CT	52	KLEENEX FACIAL FOIL PACK WHITE 175 CT	102	WINDEX SPRAY 22 OZ
3	KODACOLOR VR-G CB 135-24C	53	DAWN 22 OZ	103	TIDE 42 OZ
4	SCOTCH MAGIC TAPE 1/2 X 450	54	SONY BETA VIDEO CASSETTE	104	SCOTCH BETA VIDEO CASSETTE
5	POLAROID 600 FILM HIGH SPEED	55	AJAX CLEANSER 14 OZ	105	LYSOL SPRAY 12 OZ
6	DURACELL ALKALINE BATTERY AA 2 CT	56	KODACOLOR VR-G CB 110-12C	106	BIC BIRO BLUE 10 CT
7	CRAYOLA CRAYONS 24 CT	57	PALMOLIVE 22 OZ	107	LYSOL SPRAY SCENT II 12 OZ
8	ENERGIZER ALKALINE BATTERY AA 2 CT	58	POLAROID SPECTRA FILM	108	IVORY DISH LIQUID 22 OZ
9	DURACELL ALKALINE BATTERY C 2 CT	59	PAPERMATE WRITE BROS RED PEN	109	DIXIE 9 INCH PLASTIC PLATE 48 CT
10	DURACELL ALKALINE BATTERY D 2 CT	60	KODAK ALKALINE BATTERY D 2 CT	110	PENTEL VAL PAK LEADS 5MM
11	DURACELL ALKALINE BATTERY 9V	61	PAPERMATE FLAIR PEN CD BLACK	111	TIDE LIQUID 32 OZ
12	SCOTCH MAGIC TAPE 3/4 X 300	62	KRAZY GLUE PEN	112	BIC BIRO BLACK 10 CT
13	KODACOLOR VR-G 100 CA 135-24	63	CARTER MARKS-A-LOT BLACK	113	DRANO LIQUID 32 OZ
14	SCOTCH T-120 VHS BLANK VIDEO CASSETTE	64	REYNOLDS WRAP 25 FT	114	CARTER MARKS-A-LOT RED
15	ENERGIZER ALKALINE BATTERY C 2 CT	65	KODAK ALKALINE BATTERY 9V	115	SCRIPTO ELECTRA LIGHTER
16	KODAK VIDEO CASSETTE	66	UHU GLUE STICK	116	GLADE AEROSOL RAIN 7 OZ
17	SONY VHS VIDEO CASSETTE	67	PAPERMATE WRITE BROS PEN BLACK 10 CT	117	DOW BATHROOM CLEANER 17 OZ
18	ENERGIZER ALKALINE BATTERY D 2 CT	68	WASH-N-DRI 20 CT	118	KODAK ALKALINE BATTERY AAA 2 CT
19	DOVE SOAP BATH SZE 4.75 OZ.	69	TIDE LIQUID 64 OZ	119	WISK DETERGENT 64 OZ
20	SCOTCH TRANSPARENT TAPE 1/2 X 500	70	KRAZY GLUE GEL	120	CLOROX 2 BLEACH 40 OZ
21	ARM & HAMMER BAKING SODA 16 OZ.	71	BIC STICK PEN BLACK 10 CT	121	JOY DISH WASHING LIQUID 22 OZ
22	KODACOLOR VR-G CB 110-24C	72	PAPERMATE WRITE BROS PEN BLUE 10 CT	122	PAPERMATE WRITE BROS PENS 48 CT
23	DOVE SOAP BAR WHITE 3.5 OZ.	73	BIC BUTANE LIGHTER	123	FABER CASTELL UNI-BALL FINE BLACK
24	EVEREADY SUPER HEAVYDUTY AA 4 CT	74	SAFEGUARD SOAP BATH SIZE 5 OZ	124	BIC MINI LIGHTER 2 CT
25	POLAROID SX-70 TIME ZERO FILM	75	PAPERMATE 98 PEN	125	WINDEX REFILL 32 OZ
26	ENERGIZER ALKALINE BATTERY 9V	76	EVEREADY SUPER HEAVY DUTY 9V 2 CT	126	GLAD TRASH BAGS 30 GALLON 10 CT
27	KRAZY GLUE	77	ENERGIZER ALKALINE BATTERY AAA 2 CT	127	GLADE AEROSOL POWDER 7 OZ
28	KODAK ALKALINE BATTERY AA 4 CT	78	DURACELL ALKALINE BATTERY AAA 4 CT	128	CLOROX BLEACH 64 OZ
29	DIXIE PASTEL CUP 7 OZ.	79	GLAD SANDWICH BAGS 150 CT	129	FEUDOR LIGHTER
30	KODACOLOR DISC FILM CVR 15-2	80	RAID HOUSE & GARDEN 13 OZ	130	DIAL SOAP GOLD 3.5 OZ 4 PK
31	COMET CLEANER 14 OZ.	81	KODACOLOR VR 1000 FILM CF 135-24	131	CHEER ALL TEMPERATURE 64 OZ
32	EVEREADY SUPER HEAVYDUTY D 2 CT	82	LEPAGE TRANSPARENT TAPE 1/2 X 1100	132	LIQUID PAPER FLUID
33	EVEREADY SUPER HEAVYDUTY C 2 CT	83	CRAYOLA CRAYONS 48 CT	133	WISK DETERGENT 32 OZ
34	CRAYOLA CRAYONS 8 CT	84	WOOLITE LIQUID 16 OZ	134	BIC BUTANE TWIN LIGHTERS
35	JERGENS SOAP BATH SIZE 4.5 OZ.	85	CRAYOLA CRAYONS W/SHARPENER 64 CT	135	PILOT BALL POINT BLACK FINE
36	DURACELL ALKALINE BATTERY AAA 2 CT	86	RAID ANT & ROACH 16 OZ	136	PINE SOL LIQUID 28 OZ
37	EVEREADY GENERAL PURPOSE AA 4 CT	87	SCRIPTO ERASABLE PEN BLK MED PNT	137	REYNOLDS WRAP 75 FT
38	KODACOLOR VR-G CC 135-24	88	CRAYOLA COLORING MARKERS 8 CT	138	PILOT BALL POINT BLUE FINE
39	ELMERS GLUE ALL 4 OZ	89	EASY ON SPRAY STARCH 22 OZ	139	DIAL SOAP WHITE 3.5 OZ 4 PK
40	EVEREADY GENERAL PURPOSE D 2 CT	90	KODACOLOR VR-G FILM CM 110-24	140	EASY WIPE WIPING CLOTHS
41	ELMERS SCHOOL GLUE 4 OZ	91	DIXIE KITCHEN REFILL 5 OZ 100 CT	141	PARSONS AMMONIA CLEAR 28 OZ
42	PLEDGE LEMON 7 OZ	92	KODACOLOR VR-G FILM CB 126-24C	142	IRISH SPRING SOAP 5 OZ
43	EVEREADY GENERAL PURPOSE 9V 2 CT	93	SONY CASSETTE 90 MIN 2 CT	143	ELMER GLUE ALL 1.25 OZ
44	COAST SOAP BLUE BATH SIZE 5 OZ.	94	SNUGGLE FABRIC SOFTENER 33 OZ	144	KODACOLOR VR-G CB 126-12C
45	KODACOLOR FILM SINGLE CVR-DISC 15	95	EVEREADY BATTERY C 2 CT	145	FABER CASTELL UNI BALL FINE BLUE
46	IVORY PERSONAL SIZE 4 PK	96	SCOTCH BX 90 CASSETTE TAPE 2 CT	146	DIAL SOAP GOLD REG 3.5 OZ
47	CARESS BAR SOAP 4.75 OZ	97	SCOTCH POST IT NOTE PAD 3"X 3"	147	SNUGGLE FABRIC SOFTENER SHEETS 20 CT
48	CHARMIN BATH WHITE 4 CT	98	SCOTCH MAGIC TAPE 3/4 X 850	148	TONE SOAP 4 CT
49	KODAK ALKALINE BATTERY AA 2 CT	99	ENERGIZER ALKALINE BATTERY AAA 4 CT	149	LIQUID PEN & INK
50	PUFFS FACIAL ASST 175 CT	100	SCOTCH BX SEALING TAPE	150	SCOTCH TRAN MAGICTAPE 1/2 X 800

Source: *Drug Store News* research

150 Hottest General Merchandise Products

(ranked by dollar volume)

Rank	Product name	Rank	Product name	Rank	Product name
1	POLAROID 600 FILM HIGH SPEED	51	EVEREADY GENERAL PURPOSE 9V 2 CT	101	SCRIPTO ERASABLE PEN BLK MED PNT
2	DURACELL ALKALINE BATTERY AA 4 CT	52	DURACELL ALKALINE BATTERY AAA 4 CT	102	GLAD TRASH BAGS 30 GALLON 10 CT
3	ENERGIZER ALKALINE BATTERY AA 4 CT	53	KODAK ALKALINE BATTERY C 2 CT	103	DIXIE KITCHEN REFILL 5 OZ 100 CT
4	KODACOLOR VR-G CB 135-24C	54	KODACOLOR VR-G FILM CB 126-24C	104	BIC BIRO BLUE 10 CT
5	KODACOLOR VR-G 100 CA 135-24	55	RAID ANT & ROACH 16 OZ	105	LYSOL SPRAY SCENT II 12 OZ
6	KODACOLOR VR-G CB 110-24C	56	PLEDGE LEMON 7 OZ	106	PINE SOL LIQUID 28 OZ
7	POLAROID SX-70 TIME ZERO FILM	57	EVEREADY SUPER HEAVY DUTY 9V 2 CT	107	DIXIE 9 INCH PLASTIC PLATE 48 CT
8	DURACELL ALKALINE BATTERY C 2 CT	58	PAPERMATE WRITE BROS RED PEN	108	CRAYOLA CRAYONS 8 CT
9	ENERGIZER ALKALINE BATTERY AA 2 CT	59	KODAK ALKALINE BATTERY D 2 CT	109	REYNOLDS WRAP 75 FT
10	SCOTCH T-120 VHS BLANK VIDEO CASSETTE	60	SCOTCH BX 90 AUDIO CASSETTE TAPE 2 CT	110	DOW BATHROOM CLEANER 17 OZ
11	KODAK VIDEO CASSETTE	61	IVORY PERSONAL SIZE 4 PK	111	CARTER MARKS-A-LOT RED
12	SONY VHS VIDEO CASSETTE	62	CARTER MARKS-A-LOT BLACK	112	SAFEGUARD SOAP BATH SIZE 5 OZ
13	DURACELL ALKALINE BATTERY D 2 CT	63	CRAYOLA CRAYONS W/SHARPENER 64 CT	113	WINDEX REFILL 32 OZ
14	DURACELL ALKALINE BATTERY AA 2 CT	64	CRAYOLA COLORING MARKERS 8 CT	114	ELMERS GLUE ALL 4 OZ
15	DURACELL ALKALINE BATTERY 9V	65	ENERGIZER ALKALINE BATTERY AAA 4 CT	115	BIC BIRO BLACK 10 CT
16	KODACOLOR DISC FILM CVR 15-2	66	WOOLITE LIQUID 16 OZ	116	SCOTCH POST IT NOTE PAD 3"X 3"
17	POLAROID SPECTRA FILM	67	WISK DETERGENT 64 OZ	117	CRAYOLA CRAYONS 48 CT
18	ENERGIZER ALKALINE BATTERY C 2 CT	68	KLEENEX FACIAL FOIL PACK WHITE 175 CT	118	EASY ON SPRAY STARCH 22 OZ
19	ENERGIZER ALKALINE BATTERY D 2 CT	69	PAPERMATE 98 PEN	119	WISK DETERGENT 32 OZ
20	KODACOLOR VR-G CC 135-24	70	ENERGIZER ALKALINE BATTERY AAA 2 CT	120	FABER CASTELL UNI-BALL FINE BLACK
21	CRAYOLA CRAYONS 24 CT	71	RAID HOUSE & GARDEN 13 OZ	121	PENTEL VAL PAK LEADS 5MM
22	SONY BETA VIDEO CASSETTE	72	SCOTCH BX SEALING TAPE	122	BIC STICK PEN BLACK 10 CT
23	DIXIE PASTEL CUP 7 OZ.	73	DAWN 22 OZ	123	GLADE AEROSOL RAIN 7 OZ
24	KODAK ALKALINE BATTERY AA 4 CT	74	COMET CLEANER 14 OZ.	124	SCOTCH MAGIC PKG MAIL TAPE 2X500
25	KODACOLOR FILM SINGLE CVR-DISC 15	75	REYNOLDS WRAP 25 FT	125	DIAL SOAP GOLD 3.5 OZ 4 PK
26	EVEREADY SUPER HEAVYDUTY AA 4 CT	76	PALMOLIVE 22 OZ	126	BIC BUTANE LIGHTER
27	KODACOLOR VR-G CB 110-12C	77	PUFFS FACIAL ASST 175 CT	127	GLAD TRASH BAGS 30 GALLON 20 CT
28	TIDE LIQUID 64 OZ	78	COAST SOAP BLUE BATH SIZE 5 OZ.	128	FEUDOR LIGHTER
29	ENERGIZER ALKALINE BATTERY 9V	79	CHARMIN BATH WHITE 4 CT	129	IRISH SPRING SOAP 5 OZ
30	SCOTCH MAGIC TAPE 1/2 X 450	80	CARESS BAR SOAP 4.75 OZ	130	CERTRON AUDIO CASSETTE 90 MIN 3 CT
31	EVEREADY SUPER HEAVYDUTY D 2 CT	81	KRAZY GLUE GEL	131	SCRIPTO ELECTRA LIGHTER
32	DURACELL ALKALINE BATTERY AAA 2 CT	82	TIDE LIQUID 32 OZ	132	JOY DISH WASHING LIQUID 22 OZ
33	EVEREADY SUPER HEAVYDUTY C 2 CT	83	ELMERS SCHOOL GLUE 4 OZ	133	BIC MINI LIGHTER 2 CT
34	SONY CASSETTE 90 MIN 2 CT	84	TIDE 42 OZ	134	BIC LIGHTER 5 CT
35	SCOTCH MAGIC TAPE 3/4 X 300	85	PAPERMATE WRITE BROS PEN BLACK 10 CT	135	IVORY DISH LIQUID 22 OZ
36	SCOTCH TRANSPARENT TAPE 1/2 X 500	86	UHU GLUE STICK	136	PAPERMATE WRITE BROS PENS 48 CT
37	KRAZY GLUE	87	WASH-N-DRI 20 CT	137	LEPAGE TRANSPARENT TAPE 1/2 X 1100
38	GLAD SANDWICH BAGS 150 CT	88	CHEER ALL TEMPERATURE 64 OZ	138	AJAX CLEANSER 14 OZ
39	KODACOLOR VR 1000 FILM CF 135-24	89	KODAK ALKALINE BATTERY AAA 2 CT	139	LIQUID PAPER FLUID
40	KRAZY GLUE PEN	90	PAPERMATE WRITE BROS PEN BLUE 10 CT	140	DIAL SOAP WHITE 3.5 OZ 4 PK
41	EVEREADY GENERAL PURPOSE AA 4 CT	91	SNUGGLE FABRIC SOFTENER 33 OZ	141	BIC BUTANE TWIN LIGHTERS
42	ARM & HAMMER BAKING SODA 16 OZ.	92	CLOROX BLEACH FRESH 5 GAL	142	GLADE AEROSOL POWDER 7 OZ
43	DOVE SOAP BATH SIZE 4.75 OZ.	93	DRANO LIQUID 32 OZ	143	PILOT BALL POINT BLACK FINE
44	EVEREADY GENERAL PURPOSE D 2 CT	94	PAPERMATE FLAIR PEN CD BLACK	144	GLAD CLING WRAP 200 FT
45	SCOTCH BETA VIDEO CASSETTE	95	SCOTCH MAGIC TAPE 3/4 X 850	145	PURPOSE SOAP 3.6 OZ
46	KODAK ALKALINE BATTERY 9V	96	KODACOLOR VR-G CB 126-12C	146	DAWN MT SPRING 22 OZ
47	DOVE SOAP BAR WHITE 3.5 OZ.	97	EVEREADY GENERAL PURPOSE C 2 CT	147	FEUDOR DESIGN LIGHTER
48	KODACOLOR VR-G FILM CM 110-24	98	CLOROX 2 BLEACH 40 OZ	148	PILOT BALL POINT BLUE FINE
49	JERGENS SOAP BATH SIZE 4.5 OZ.	99	LYSOL SPRAY 12 OZ	149	HANDIWRAP II 250 FT
50	KODAK ALKALINE BATTERY AA 2 CT	100	WINDEX SPRAY 22 OZ	150	CLOROX BLEACH 64 OZ

Source: Drug Store News research

Triple-A name brands spark chains' merchandising excitement

Continued from page 13

were able to steadily sell through the leading brands, and expand assortments with new advertised brands—since the U. S. Surgeon General C. Everett Koop recommended condoms as a way to protect against AIDS.

Lens care performance was helped by the aging of the population and new technology. The industry anticipates continued brisk growth here, thanks to demand for remedial lenses, and better adherence to lens care regimens by consumers. Among new lens care regimens and technologies that hit stride in 1987, hydrogen peroxide systems made lens care faster and easier for consumers. Chains advertised the regimens competitively and frequently.

On the other end of the demographic scale, a mini baby boom offered retailers a chance to expand baby care departments. Chains adopted vendors' new innovations in safety and convenience baby care products, and the profit-producing items allow drug stores to offer in-demand products to the important audience of young mothers.

Condoms, lens care and baby products weren't the only categories by benefit from successful innovation.

The battery manufacturers developed new products and promotions throughout the year. Cough-cold growth benefited by new introductions. And the analgesics, laxative, and antacid categories similarly hosted product changes that were welcomed by consumers.

Many of the products are line extensions, retaining well-known brand names that continue to attract loyal shoppers.

Those names still signal a quality and potency level (particularly with OTCs and Rx-to-OTC switched drugs) that is irresistible to shopppers, and can be highly profitable to retailers.

Drug stores in most cases have backed them fully, assigning key shelf space and exposure, and regularly featuring Triple-A products in circular advertising at cents-off prices.

Although drug chains have faced increasing competition in OTCs from other trade classes carrying traditional drug store merchandise, the most pitched competition has arguably occurred on the general merchandise front.

Chains have battled with the mass merchandise chains for market share in batteries and film, and have succeeded in building key hot departments.

Battery vendors' new merchandising systems and electronic advertising campaigns have combined with drug stores' own promotions, and in-store displays, to create strong category growth.

Holding off a challenge from mass merchandise chains which have taken the lead in building in-store mini-labs for photo processing—and thus a strong image for the photo department overall—drug chains have garnered respectable market share in film. As many chains alter formats of their stores to stress convenience, they can become even more attractive destinations for film purchases and processing.

The current roster of Triple-A products demonstrates clearly that chains continue to build their businesses around an evolving and vibrant universe of branded health care and core general merchandise products.

NUPRIN
NUPRIN
SAVE $1.50
REGULAR PRICE 7.29
LESS-$1.50
YOUR COST 5.79
WITH INSTANT COUPON ON SPECIALLY MARKED PACKAGES OF 100'S SIZE ONLY

Many chains boosted unit sales with analgesics by taking advantage of some brands' coupon promotions.

playtex
LifeStyles
Today
Today
FETHERLITE
SHEIK
SHEIK
SHEIK

A family planning pegboard display at a Newton, Mass., Walgreen's.

Growth for condoms seen to continue

When *Drug Store News* surveyed retailers last year on what categories were the hottest, it was no surprise that condoms showed strongly.

Sales for the first eight months of 1987 were up 32 percent in dollars and 27 percent in units. And retailers predicted that this hot pattern would continue, and possibly build, in 1988. Merchants surveyed predicted 36.1-percent sales growth in the year.

Chain merchandisers across the country reported strong demand, fueled by two major trends. As AIDS became publicized, people began to take better health precautions. Also, some alternate forms of birth control, such as the Pill and intra-uterine devices, are perceived as less desirable by consumers who seek non-invasive methods. Condoms have became a more attractive form of pregnancy prevention.

Some drug stores created secondary locations near feminine hygiene and in family planning sections to cater to women.

U. S. Surgeon General C. Everett Koop became the most notable among a string of health care authorities who called for the use of condoms as the best protection against AIDS, and vendors' electronic and print media advertising boomed.

Some drug stores created secondary locations near feminine hygiene and in family planning sections to cater to women, and generally made condoms more accessible and visible to shoppers.

Major vendors such as Carter, Schmid and Ansell have reported double-digit sales gains through all trade classes. Smaller vendors also benefit by retailers selling their brands to broaden inventory assortments. Indeed, retailers faced a loss of sales opportunities if they failed to carry brands that were being widely advertised and sought out by consumers.

Revco was among chains that began advertising condoms in circulars, and reported a positive public response.

A major question facing chains in mid-year was whether the instances of out-of-stocks that occurred in 1987, due to such strong demand, would reoccur.

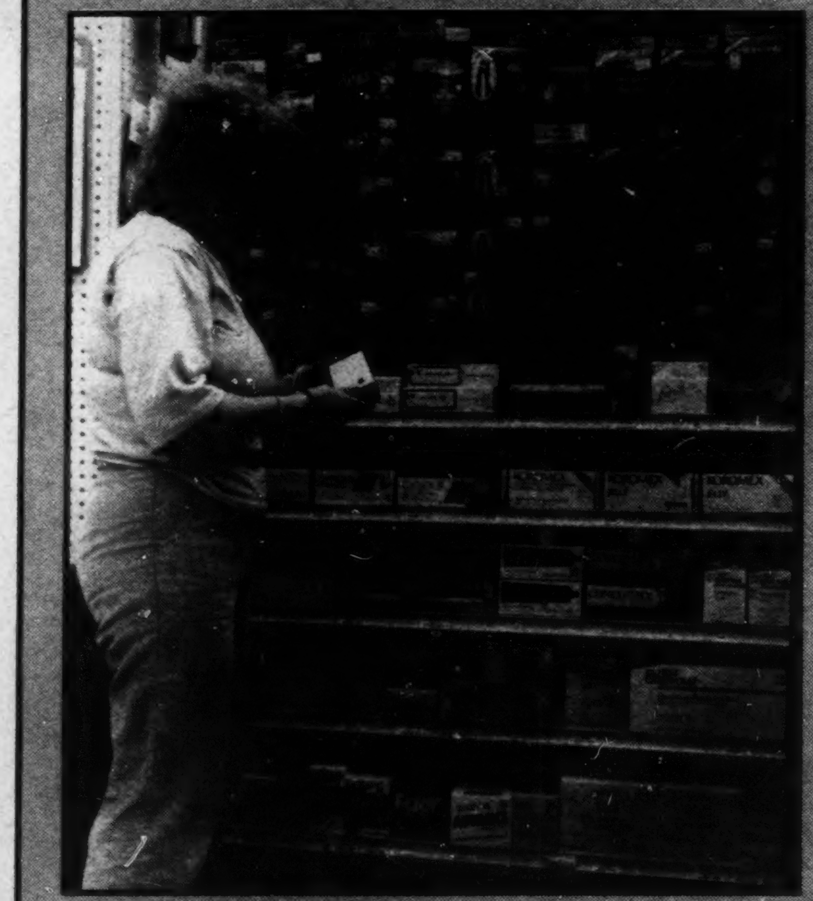
Chain drug stores remained the leading outlet for condoms, controlling 49 percent market share. Including independents, drug stores account for a 67.8-percent share.

Fastest moving condoms

(unit sales)

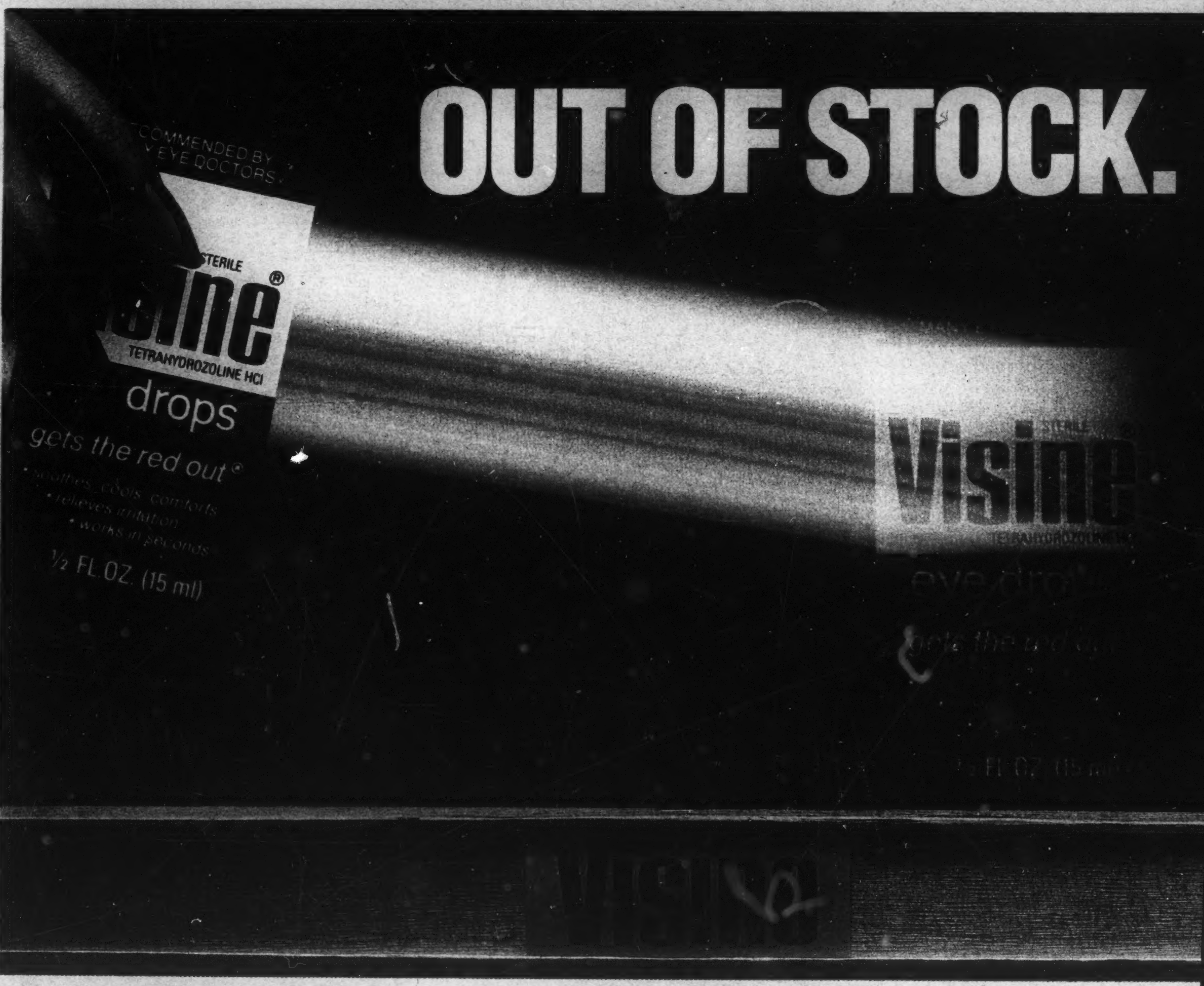
1. Trojan Enz Lubicated 3's
2. Trojan Enz Lubricated 12's

Source: *Drug Store News research*



A family planning display at Fays Drug's Elmira, N. Y., store.

Easy to carry & use lipstick form.
(No camphor, phenol or "caines".)
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-S, FDR, NY, NY 10150



It's peak season for the #1 selling eye

STERILE
Visine
TETRAHYDROZOLINE HCl
eye drops

Visine® – the #1 Selling Eye Drop.
No other brand comes close.

More Sales for More Profits
- Outsells the closest competitive brand by almost 4 to 1*

More Turns
- Inventory turns twice as fast as the rest of the category.*

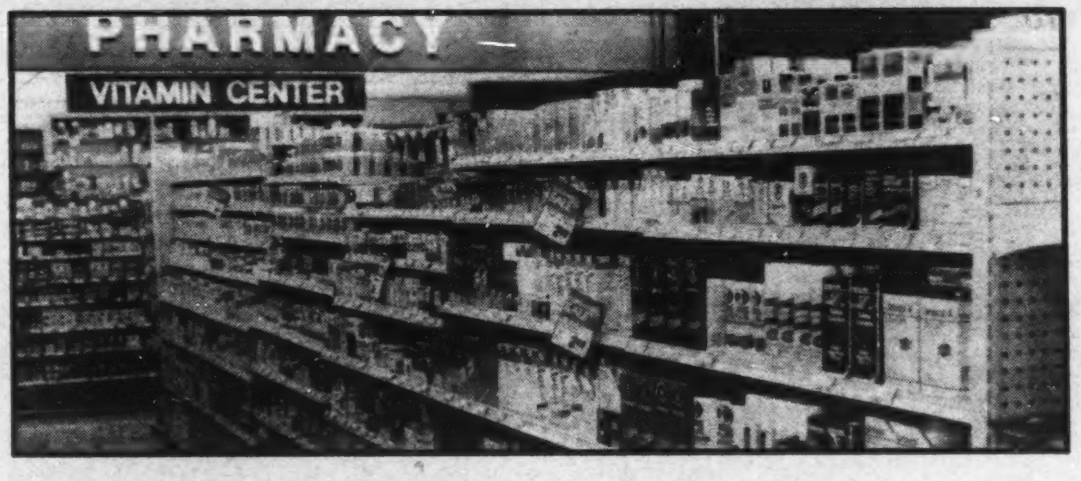
More Advertising
- Multi-million dollar, multi-media advertising program – #1 in the category, by far.

More Peak Season Demand
- Almost 40% of annual sales occur during the peak season months of May, June, July and August.*

All the more reason that you're stocked to meet this year's peak season demand!

*Based on A.C. Nielsen Audit, Drug Stores, 1987.

Careful management helps lens care sales growth



This lens care section in a Burien, Wash., Pay N' Save store typifies the broad assortment of product chains need to carry.

The lens care category is one that requires careful management if drug chains are to receive the maximum benefit of its projected strong growth.

Because of the ongoing proliferation of SKUs, buyers have had to reset shelves on a regular basis to assure carrying the latest lens care regimens being recommended by doctors, while holding inventory investment at a reasonable level.

The influx of new products, while serving consumers, has also confused some, buyers said.

But the payoff is well worth it.

Drug stores—where 70 percent of lens solutions are sold—report steady category growth. One industry vendor forcast recently that lens care product sales will hit $1.2 billion in 1992 in mass merchandise, drug, and grocery outlets, compared with $642 million today.

Price slashing by vendors on saline solutions ignited sales last year, and seemed to keep a lid on saline mix prices. Consumers were no longer willing to pay $4 for 12 ounces. Bausch & Lomb took the lead, followed by Ross Lab's Abbott division, in cutting prices.

Adding to sales momentum was improved consumer compliance with lens care regimens, after new publicity surfaced on the corneal ulcers and infections that improper lens use can cause. As consumers removed and cleaned their lenses more frequently, lens solution sales increased.

Also encouraging compliance is the flood of new systems, that make lens care quicker and easier, among them Allergan's Ultrazyme enzymatic tablet, B&L's ReNu and Alcon's Optizyme.

Meanwhile, buyers and industry watchers reported a surge in sales of the hydrogen peroxide systems, and a corresponding decline in sales of the heat and chemical disinfectant systems.

Doctor acceptance of the HP regimens has a lot to do with the success of such programs as Ciba Vision's AOSept and LENSept, Allergan's OXYSEPT, Coopervision's MIRASEPT, and Barnes-Hind's first HP system, CONSEPT.

Fastest-moving eye-lens care products

(unit sales)

1. B&L Sensitive Eyes Solution 12 oz.
2. Visine Eye Drops 0.5 oz.
3. AOSept Disinfecting Solution 8 oz.
4. B&L Saline Solution 12 oz.
5. Unisol 4 Saline Solution Twinpak
6. Pliagel Lens Solution .85 oz.
7. AODisc Replacement

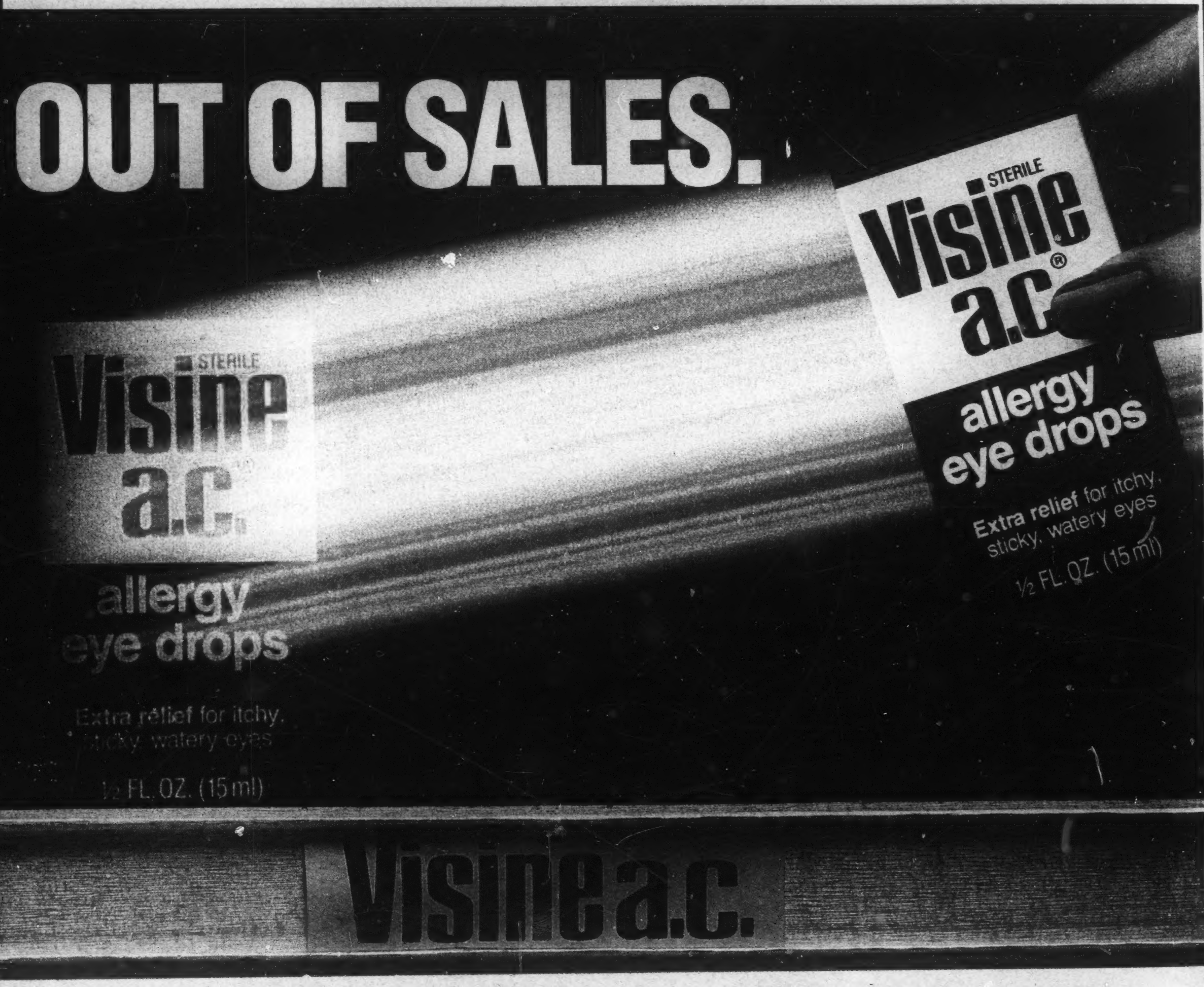
Source: *Drug Store News* research

Highest volume eye-lens care products

(retail dollars)

1. B&L Sensitive Eyes Solution 12 oz.
2. AOSept Disinfecting Solution 8 oz.
3. Allergan Soflens Tabs 24s
4. Allergan Lens Plus 12 oz.
5. Visine Eye Drops 0.5 oz.
6. B&L Sensitive Eyes Daily Cleaner 1 oz.
7. Unisol 4 Saline Solution Twinpak
8. Allergan Soflens Tablets 36s
9. B&L Saline Solution 12 oz.
10. Alcon Opti-zyme Tablets 24s
11. B&L Disinfecting Solution 12 oz.
12. Visine A.C. 0.5 oz.

Source: *Drug Store News* research



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More Turns
- During the brief peak season, inventory turns two times.*

More Advertising
- Visine a.c. is supported by its own peak season Network TV Advertising targeted right at the allergy sufferer.

More Peak Season Demand
- Over 40% of annual sales occur during the peak season months of May, June, July and August.*

Don't get caught without an ample supply!

*Based on A.C. Nielsen Audit, Drug Stores, 1987.
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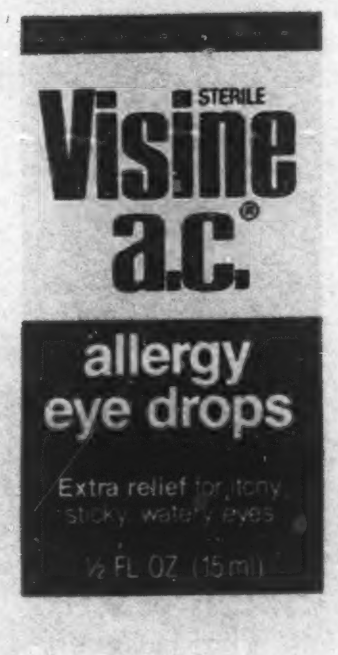
Call 1-800-653-4355



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Ibuprofen's strength and Tylenol's comeback help keep the analgesic category in motion

Ibuprofen sales grew 54% last year, as aspirin's and acetaminophen's growth slowed.

The success of ibuprofen products, combined with the comeback of Tylenol, have kept the analgesic category in motion.

Although some drug chains have reported a slowdown of ibuprofen growth, the sales growth of ibuprofen products is still among the fastest of any drug store category. Ibuprofen sales grew 54 percent in 1987, as extra-strength aspirin and acetaminophen products' growth slowed somewhat.

Pipeline Research, a service of the consumer products division of IMS America, reported that the aspirin and acetaminophen products each declined 2 percent last year.

Drug chains supported strong growth of Whitehall's Advil and Bristol-Myer's Nuprin with promotional exposure. And Nuprin's new caplets gained followers.

But Tylenol continues to capture prime retail shelf space, and has been the number-one acetaminophen. McNeil Labs launched Children's Grape-Flavored Tylenol to join the chewable Childrens' Fruit-Flavored Tylenol, which has been a hit at some chains.

Buyers feel there is little doubt that the heavy publicity pertaining to the use of aspirin as a possible defense against heart attacks has continued to propel sales. Bayer, for instance, has been a notable beneficiary of this trend.

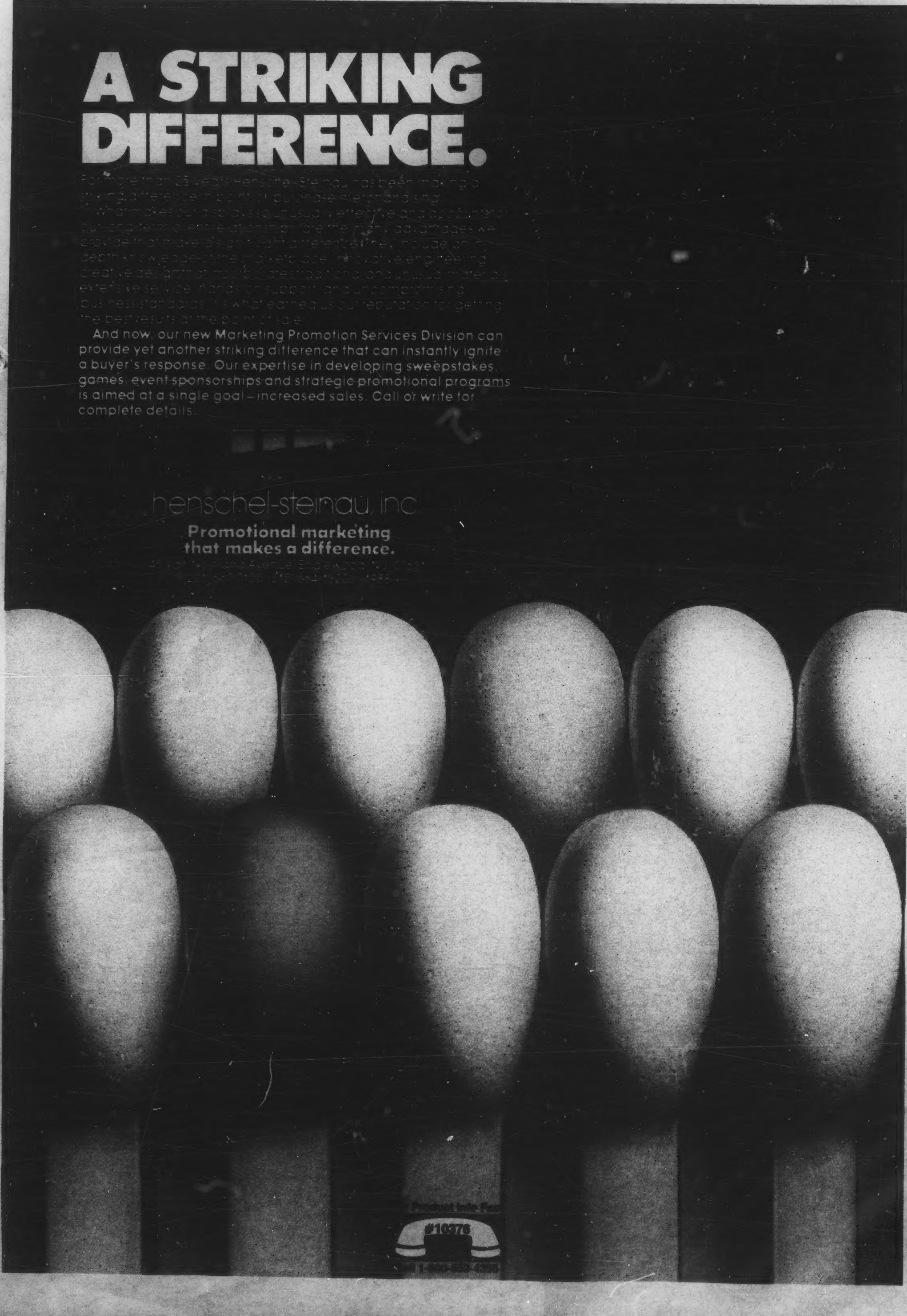
But the debate on the effects of aspirin isn't over. Officials reintroduced research results on aspirin's effect in blocking the formation of blood clot-aiding hormones to show that the medication can be abused.

Highest-volume analgesics

(retail dollars)

1. Tylenol Extra-Strength Caplets 100s
2. Tylenol Extra-Strength Caplets 50s
3. Advil Tablets 50s
4. Tylenol Extra-Strength Tablets 100s
5. Advil Tablets 100s
6. Tylenol Extra-Strength Tablets 60s
7. Tylenol Extra-Strength Caplets 24s
8. Bayer Aspirin 100s
9. Tylenol Extra-Strength Tablets 30s
10. Tylenol Drops 15ml
11. Anacin 100s
12. Excedrin 100s
13. Gaviscon Tablets 100s
14. Ecotrin Tablets 100s
15. Tylenol Regular 100s
16. Tylenol Extra-Strength Tablets 200s
17. Ascriptin 100s
18. Advil Tablets 165s
19. Advil Caplets 165s
20. Advil Caplets 50s
21. Bayer Aspirin 50s
22. Bufferin 100s
23. Anacin 200s
24. Advil Caplets 24s
25. Ecotrin Tablets 250s
26. Advil Caplets 100s
27. Ascriptin AD Tablets 100s
28. Doan's Pills 24s
29. Nuprin Tablets 50s
30. Excedrin Extra-Strength Tabs 30s
31. Nuprin 100s
32. Tylenol Elixir 2
33. Tylenol Chewable Tablets 30s

Source: *Drug Store News* research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Cough-cold category gets broad assortments

Cough-cold is probably one of the most active of drug store categories: new product introductions have continued at a brisk pace, and drug chains emphasize the category with broad, heavily-promoted assortments.

Chains for the most part have merchandised allergy-fighting items together with those that counter cough and cold symptoms.

Drug stores achieved 7.2-percent sales growth in this $242 million category in 1987, as consumers responded to the many Rx-to-OTC switched products they perceived as being strong and effective.

Chains for the most part have merchandised allergy-fighting items together with those that counter cough and cold symptoms. Some feel the practice boosts sales by causing the consumer to purchase more than one product to relieve his or her multi-symptom sickness.

Line extensions continue to be the trend as vendors trade on their products' well-known brand names. Such extensions as A. H. Robins' Dimetapp Plus, and Schering's Drixoral Plus have proven successful, alongside established performers such as Schering's Afrin nasal decongestant and its Chlortrimeton antihistamine, SmithKline's Teldrin antihistamine, Burroughs-Wellcome's Actifed, and Warner-Lambert's Benadryl.

Alka Seltzer Plus Night Time has been another strong new entry.

Wyeth-Ayerst was ready to launch the first major new Rx-to-OTC entry in some time—its Phenergan cough suppressant.

With the proliferation of SKUs, merchandising the category has been a major challenge, and buyers have to weigh the relative advantages of increasing space versus weeding out slow-moving items.

Some extensions are successful at the expense of the original brands. Nyquil's Cherry, for example, has thrived, while the Nyquil 6- and 10-ounce sizes—among the strongest performers in 1986—are down in sales significantly.

Cough-cold has been among the most heavily advertised categories on a year-round basis.

Highest-volume cough-cold/allergy remedies

(retail dollars)

1. Benadryl Capsules 25 mg 24s
2. Robitussin DM 4 oz.
3. Afrin Nasal Spray .5 oz.
4. Sudafed 30 mg Tablets 24s
5. Alka Seltzer Plus 20s
6. Nyquil 6 oz.
7. Benadryl 25 Allergy Tablets 24s
8. Robitussin DM 8 oz.
9. Alka Seltzer Plus 36s
10. Nyquil 10 oz.
11. Drixoral 10s
12. Dimetapp Extentabs 24s
13. Dimetapp Extentabs 12s
14. Actifed Tablets 24s
15. Sudafed Tablets 30 mg 48s
16. Dimetapp Elixir 8 oz.
17. Primatene Nasal Mist 15 cc
18. Benadryl Capsules 48s
19. Vicks Formula 44-D 4 oz.
20. Drixoral. 40s

Source: *Drug Store News* research

Fastest-moving cough-cold/allergy remedies

1. Benadryl Capsules 25 mg 24s
2. Robitussin DM Cough Syrup 4 oz.
3. Alka Seltzer Plus 20s
4. Sudafed 30 mg Tablets 24s
5. Afrin Nasal Spray .5 oz.
6. Dimetapp Elixir 4 oz.
7. Alka Seltzer Plus 36s
8. Benadryl Elixir 4 oz.
9. Halls Cough Drops Mentholyptus 9s
10. Benadryl Regular Tablets 24s
11. Drixoral 10s
12. Alka Seltzer Plus 12s
13. Vicks Formula 44-D 4 oz.
14. Nyquil 6 oz.
15. Actifed Tablets 24s
16. Comtrex Tablets 24s
17. Chloraseptic Spray Cherry 6 oz.
18. Robitussin CF 4 oz.
19. Dimetapp Extentabs 12s
20. Vicks Vapo-Rub 3 oz.

Source: *Drug Store News* research

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Health consciousness boosts awareness of laxatives

Health consciousness has played a role in drawing awareness to the laxative category. As more foods such has cereals have touted the advantages of high-fiber diets, the natural bulk-forming laxatives which have driven category sales growth of late have gained the limelight.

Some buyers, though, feel the food fiber advertising may be confusing consumers, who erroneously believe the food items are laxatives.

In any case, the bulk-forming items, in the view of most buyers, have been a positive force, since they're relatively easy to take and less threatening to some.

Following in the wake of Searle's Metamucil were Merrell Dow's Tang-flavored Citrucel, Lederle Labs' FiberCon calcium polycarbophil tablet, and Rydell Labs' Fiberall lemon-flavored chewable tablet.

But stimulant-type laxatives remain popular, led by Fleet, whose Fleet Enema disposable 4.5-ounce product was the number-one-selling item in units in *Drug Store News*' 1987 Triple-A Product Study.

Fastest-moving laxatives

(unit sales)

1. Fleet Enema 4.5 oz.
2. Correctol 30s
3. Fleet Mineral Oil Enema 4.5 oz.
4. Correctol Laxative Tablets 15s
5. Ex-Lax Unflavored Pills 8s

Source: *Drug Store News* research

Highest-volume laxatives

(retail dollars)

1. Fleet Enema 4.5 oz.
2. Metamucil Regular 21 oz.
3. Metamucil Powder Orange 21 oz.
4. Correctol 30s
5. Metamucil Powder Orange 14 oz.
6. Dulcolax Tablets 25s

Source: *Drug Store News* research

Buyers view bulk-forming items positively, as they're easier for consumers to take.

Extra-strength, calcium-fortified antacids pack profit punch

The success of extra-strength antacid formulas and the appeal of calcium-fortified mixtures has been a double-barrel profit punch for drug store retailers.

The extra-strength formulations have been popular among heavy-use consumers—the 10 percent of users who account for 80 percent of antacid sales.

Stuart's Mylanta and Rorer's Maalox have remained category leaders, and in their extra-strength formulations have been heavily promoted by drug chains.

Mylanta II, most often in the 12-ounce form, was advertized in circulars by such chains as Eckerd, Sav-on, Pay Less NW, Peoples, K&B and Drug Emporium.

Maalox Whip proved to be a strong-line extension for Rorer, and chains such as Med X, Medic, Drug Mart, and K&B advertised the product, most often in the 8-ounce form.

Miles' Alka Seltzer in regular, extra-strength and flavored formulations, and Ayerst's Riopan and Riopan Plus, were other leading sellers, and regularly promoted.

Rite Aid, Walgreen's, Big B and Snyder used Alka Seltzer in circular ads.

In the calcium-fortified segment—boosted by the publicized advantages of calcium in fighting osteoporosis— Beecham's Tums, Warner-Lambert's Rolaids, Plough's Di-Gel, and 3M's Titralac have all been strong drug store performers. The highly-recognized Rolaids and Tums brands were often promoted by drug chains.

Riopan, Phillips Milk of Magnesia, and Pepto-Bismol are other brands that chains have concentrated advertising on.

Walgreen's and Peoples also promoted their private label items.

Fastest-moving antacids

(unit sales)

1. Mylanta Liquid 12 oz.
2. Pepto Bismol Liquid 8 oz.
3. Mylanta II Liquid 12 oz.
4. Rolaids 3s
5. Maalox Liquid 12 oz.
6. Rolaids 12s
7. Tums 3s
8. Pepto Bismol Liquid 4 oz.

Source: *Drug Store News* research

Walgreen's and Peoples also promoted their private label items.

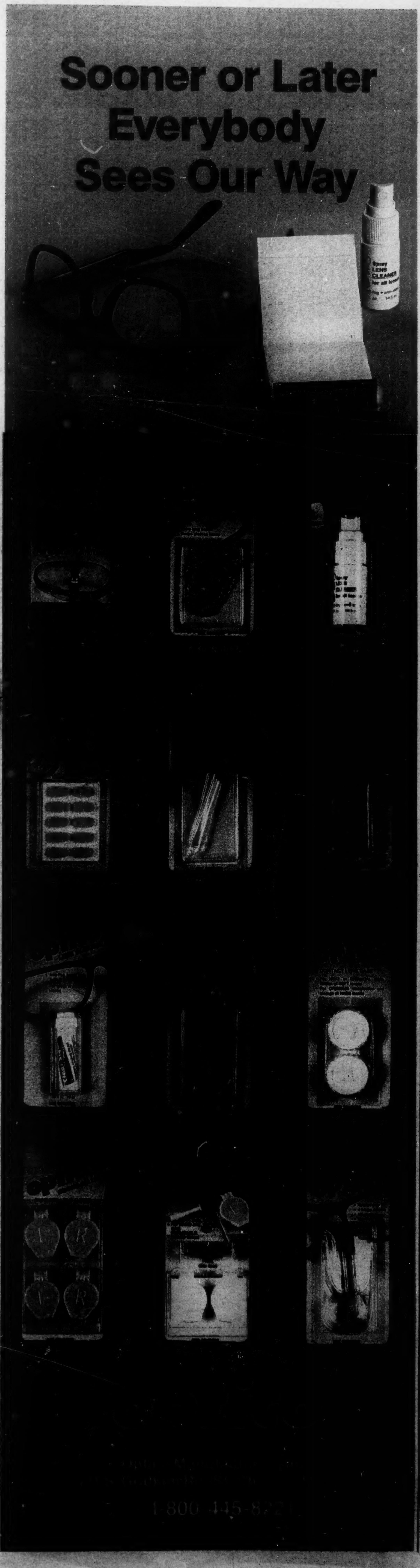
Highest-volume antacids

(retail dollars)

1. Mylanta II Liquid 12 oz.
2. Mylanta Liquid 12 oz.
3. Maalox Plus Liquid 12 oz.
4. Pepto Bismol Liquid 8 oz.
5. Pepto Bismol Liquid 4 oz.
6. Pepto Bismol 16 oz.
7. Tums Flavors 150s
8. Alka Seltzer Foil Wrap 36s
9. Riopan Plus 12 oz.

Source: *Drug Store News* research

Extra-strength formulations are predominantly featured on this Love's shelf in New York City.



Chains are expanding baby care to attract the young mother, one of their best customers.

Baby departments at chains take a fashionable approach

Baby care products have become more innovative and fashion-oriented, providing drug chains with the opportunity to improve baby care departments with more profit-making items.

Chains are expanding baby care centers to better cater to the young mother who is one of their best customers, and to offset the limited profitability of diapers.

SupeRx Corp. of Phoenix, for example, unveiled a new baby section in a prototype race track store that emphasized baby care items in a large pegged display and featured a childrens' book section in an adjacent gondola. Diapers were at floor level.

Begley Drugs, since acquired by Rite Aid, launched a baby safety section that included such items as baby-proof cupboard latches, and electrical oulet covers by Evenflo. Genovese carries such items as disposable bibs in its baby section, and safety items including special baby thermometers, bite guards, and bath and kitchen safety sets.

Some baby items such as skin care oils, powders and mousses are also merchandised to adults in womens' skin care sections.

Although settling for slight margins on diapers as they compete with supermarkets—who often use them as loss leaders—drug chains have benefited from improved diaper technology. Thinner, more absorbent diapers by such vendors as Procter & Gamble and Kimberly-Clark promise to improve sales per square foot.

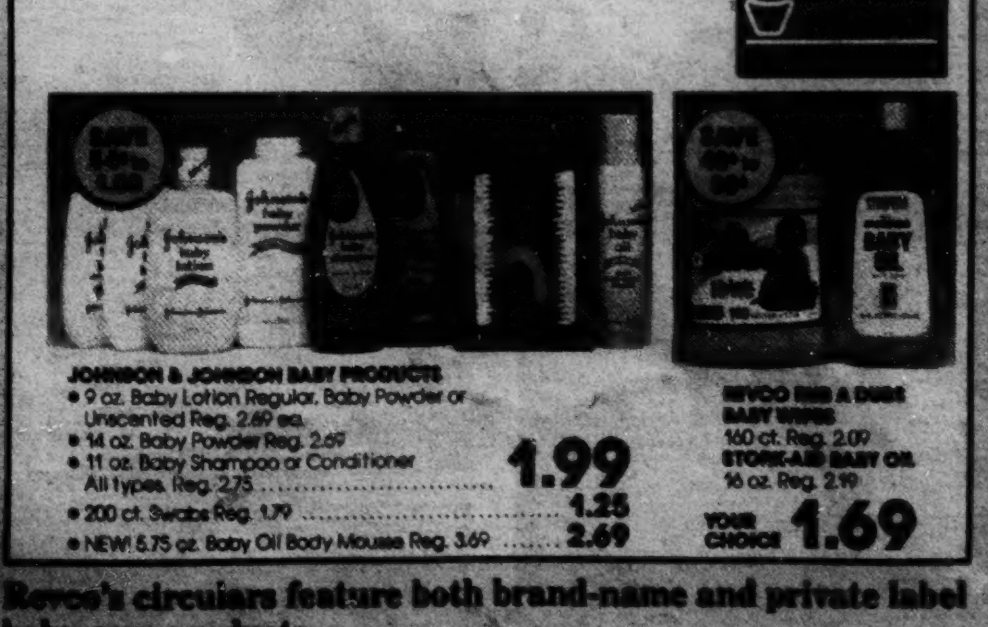
Fastest-moving baby care needs

(unit sales)

1. Q-Tips 300s
2. Q-Tips 170s
3. J&J Baby Oil 4 oz.
4. Vaseline Petroleum Jelly 1.75 oz.
5. Vaseline Petroleum Jelly 3.75 oz.
6. Pedialyte Ready-to-use Fruit Flavor 32 oz.
7. J&J Baby Powder 9 oz.
8. Vaseline Intensive Care 15 oz.
9. Q-Tips 54s
10. J&J Baby Powder 14 oz.

Source: *Drug Store News* research

Baby care ad strategy focus: Revco



JOHNSON & JOHNSON BABY PRODUCTS
- 9 oz. Baby Lotion Regular, Baby Powder or Unscented Reg. 2.69 ea.
- 14 oz. Baby Powder Reg. 2.69
- 11 oz. Baby Shampoo or Conditioner All types. Reg. 2.75 .... 1.99
- 200 ct. Swabs Reg. 1.79 .... 1.25
- NEW! 5.75 oz. Baby Oil Body Mousse Reg. 3.69 .... 2.69

REVCO RUB A DUBS BABY WIPES
160 ct. Reg. 2.09
STORK-AID BABY OIL
16 oz. Reg. 2.19
YOUR CHOICE 1.69

Revco's circulars feature both brand-name and private label baby-care products.

Highest volume baby care needs

(retail dollars)

1. Q-Tips 300s
2. Q-Tips 170s

Source: *Drug Store News* research

Promotional multipacks spur chains' film sales

Film sales have been on a roll in drug stores, helped by an upswing in sales of promotional multipacks and amateurs' growing use of point-and-shoot 35mm cameras.

Drug chains in 1987 garnered 24 percent of the nation's 780.6 million rolls of film sales, outpacing supermarkets, with 15 percent, and camera stores, with 5 percent.

Mass merchandisers—who have been leading the trend of installing in-store mini-labs—held top share, accounting for 44 percent of sales, as total film sales in units grew 13 percent, the Photo Marketing Association reported.

The multipack segment is driving growth in all channels. Sales of multipacks jumped 50 percent from 1986 to 1987, when they represented 20 percent of all sales, industry sources reported.

Multipacks have simply added punch to drug chains' film programs, which typically employ strong presentations and regular promotions. Drug stores continue to aggressively seek impulse sales, by devoting checkstand space to film, using floorstands, and cross merchandising with cameras and batteries.

The growth in popularity of the 35mm format, and booming sales of 35mm cameras, are driving industry forces. Indeed, 35mm film accounted for 69.2 percent of the 1987 photo processing business, the PMA said.

An industry source estimated 35mm and 110 film sales grew at a pace close to 20 percent, as disc and 126 film sales declined.

Catering to the demand, both Kodak and Fuji unveiled new 35mm color print film—Kodak's "Gold" film, and Fuji's Fujicolor Super HR.

House-brand films also grew in popularity, affording higher margins and price-point image building. Thrifty, Hook, Osco, Rite Aid, and K mart are among chains with their own labels.

A key issue for drug chains is the proliferation of the mini-labs. Can drug stores afford them, and be as competitive as mass merchandisers, who have the store space, and whose shoppers have longer visiting times?

Improvement in one-hour processing equipment has made some merchandisers rethink mini-labs' feasibility.

Meanwhile, Eckerd has set the pace in mini-lab rollouts, and chains such as Walgreen, London Drugs, Arbor and Longs are either already promoting in-store processing or seriously contemplating an entry.

This display promotes film processing while encouraging customers to restock on film.

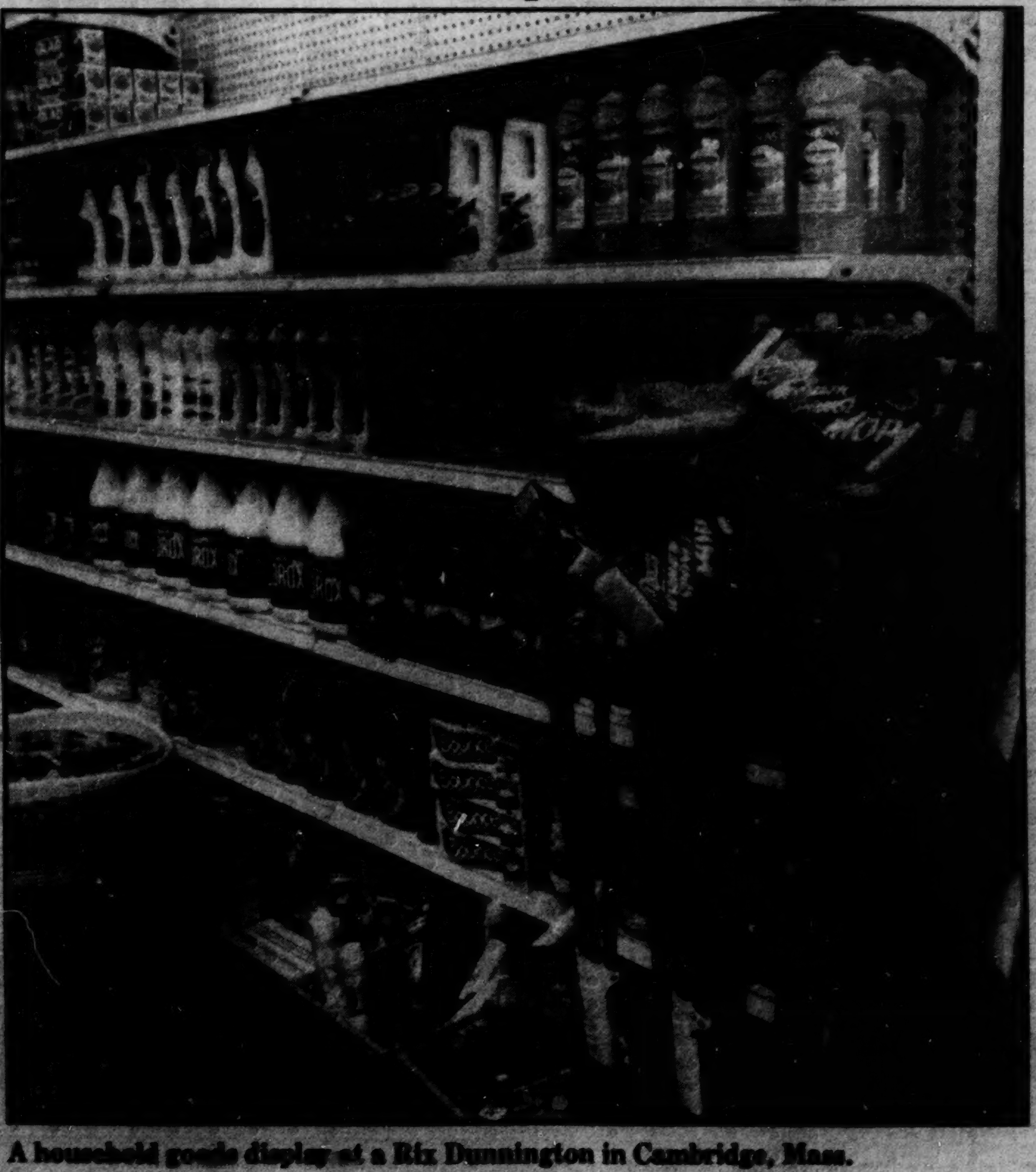
Fastest-moving film/ video products

(unit sales)

1. KODACOLOR VR-G CB 135-24C
2. POLAROID 600 FILM HIGH SPEED
3. KODACOLOR VR-G 100 CA 135-24
4. SCOTCH T-120 VHS BLANK VIDEO CASSETTE
5. KODAK VIDEO CASSETTE
6. SONY VHS VIDEO CASSETTE
7. KODACOLOR VR-G CB 110-24C
8. POLAROID SX-70 TIME ZERO FILM
9. KODACOLOR DISC FILM CVR 15-2
10. KODACOLOR VR-G CC 135-24
11. KODACOLOR FILM SINGLE CVR-DISC 15
12. SONY BETA VIDEO CASSETTE
13. KODACOLOR VR-G CB 110-12C
14. POLAROID SPECTRA FILM
15. KODACOLOR VR 1000 FILM CF 135-24
16. KODACOLOR VR-G FILM CM 110-24
17. KODACOLOR VR-G FILM CB 126-24 CT
18. SCOTCH BETA VIDEO CASSETTE
19. KODACOLOR VR-G CB 126-12C

Source: *Drug Store News* research

Housewares dept. an appealing convenience



A household goods display at a Rix Dunnington in Cambridge, Mass.

Even chains that emphasize the core health care categories recognize the appeal of a housewares section to the time-poor shopper.

Plastic and rubber goods, brooms, mops and cleaning chemicals log steady growth rates, and they are among the most frequently advertised categories among drug chains as a result.

In one recent month, for example, circular ads for cleaning supplies, non-electric housewares, and plastic housewares accounted for 6.8 percent of all circular ads by the top 20 drug chains, according to Vereen and Associates, Inc., the ad tracking service.

Air fresheners; bleaches; household, bathroom and glass cleaners; laundry detergent; dishwashing liquid; and fabric softener are products that are heavily and regularly advertised, in branded and private label form.

Recently, Thrifty advertised a private label air freshener at 75¢ for 7 ounces. Revco's store brand carpet and room deodorizer was listed at 79¢ for 16 ounces. Snyder's promoted a toilet bowl cleaner at 69¢ for 12 ounces. And Walgreen's offered private-label scouring cleanser at four 14-ounce cans for 99¢.

Rubbermaid is far and away the most heavily-promoted plastics item.

Items including laundry and waste baskets, food containers, and serving containers by Rubbermaid have been widely represented in circular advertising by the major chains.

Anchor Hocking, Sterilite, and Tucker are other promoted brands.

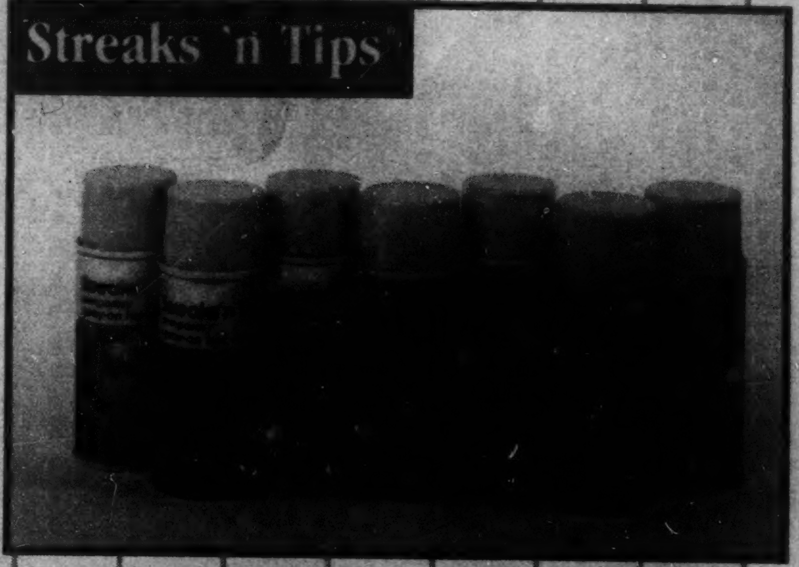
Fastest-moving household items

(unit sales)

1. DOVE SOAP BATH SIZE 4.75 OZ.
2. ARM & HAMMER BAKING SODA 16 OZ.
3. DOVE SOAP BAR WHITE 3.5 OZ.
4. DIXIE PASTEL CUP 7 OZ.
5. COMET CLEANER 14 OZ.
6. JERGENS SOAP 4.5 OZ.
7. PLEDGE LEMON 7 OZ.
8. COAST SOAP BLUE BATH SIZE 5 OZ.
9. IVORY PERSONAL SIZE 4 PK
10. CARESS BAR SOAP 4.75 OZ
11. CHARMIN BATH WHITE 4 CT
12. PUFFS FACIAL ASST 175 CT
13. KLEENEX FACIAL FOIL PACK WHITE 175 CT
14. DAWN 22 OZ
15. AJAX CLEANSER 14 OZ
16. PALMOLIVE 22 OZ
17. REYNOLDS WRAP 25 FT
18. WASH-N-DRI 20 CT
19. TIDE LIQUID 64 OZ
20. SAFEGUARD SOAP BATH SIZE 5 OZ

Source: *Drug Store News* research

THESE
GREAT NAMES
COME TOGETHER



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Triple-A Product Study: Batteries

ENERGIZER ENERGIZER ENERGIZER
DURACELL

Chains seem to favor small-count battery packs over multipacks to help minimize inventory costs.

CUSTOMER SERVICE
DURACELL
DURACELL

An endcap display of Eveready and Kodak batteries at a Dallas Page Drug.

ENERGIZER
ENERGIZER

Merchants often display batteries near devices they power to stimulate impulse purchases.

Fastest-moving batteries

(unit sales)

1. DURACELL ALKALINE BATTERY AA 4 CT
2. ENERGIZER ALKALINE BATTERY AA 4 CT
3. DURACELL ALKALINE BATTERY AA 2 CT
4. ENERGIZER ALKALINE BATTERY AA 2 CT
5. DURACELL ALKALINE BATTERY C 2 CT
6. DURACELL ALKALINE BATTERY D 2 CT
7. DURACELL ALKALINE BATTERY 9V
8. ENERGIZER ALKALINE BATTERY C 2 CT
9. ENERGIZER ALKALINE BATTERY D 2 CT
10. EVEREADY SUPER HEAVY DUTY AA BATTERY 4 CT
11. ENERGIZER ALKALINE BATTERY 9V
12. KODAK ALKALINE BATTERY AA 4 CT
13. EVEREADY SUPER HEAVY DUTY D BATTERY 2 CT
14. EVEREADY SUPER HEAVY DUTY C BATTERY 2 CT
15. DURACELL ALKALINE BATTERY AAA 2 CT
16. EVEREADY GENERAL PURPOSE BATTERY AA 4 CT
17. EVEREADY GENERAL PURPOSE BATTERY D 2 CT
18. EVEREADY GENERAL PURPOSE BATTERY 9V 2 CT
19. KODAK ALKALINE BATTERY AA 2 CT
20. KODAK ALKALINE BATTERY C 2 CT

Source: *Drug Store News research*

Chains charge battery sales by generating impulse buys

Drug chains want to hold tight to their battery market share, since annual growth of 8 percent to 10 percent—fueled by heavy-user households—is projected to continue well into the next decade.

Drug chains gained 1 percent in battery sales share during the past five years, a pace that was outstripped slightly by discount and food stores.

Merchants agree that generating impulse purchases is key to category growth, so batteries are displayed throughout the store, usually near devices they power.

Such devices as cassette recorders and toys are typically owned by heavy-using households, which can consume 96 batteries per year.

Drug chains seem to favor small-count packs to multipacks to help minimize inventory costs, figuring that impulse displays of one-, two- and four-packs generate fast turns. In addition, buyers see value in selling zinc general purpose batteries as a lower-price alternative to alkalines.

Drug chains gained 1 percent in battery sales share during the past five years, a pace that was outstripped slightly by discount and food stores.

Vendors have maintained feverish promotional programs, keeping buyers interested in the broad assortments available. As an example, Kodak batteries have gained a niche in drug stores, and will continue to benefit from the halo effect of its strong brand identification in film.

Eveready and Duracell have also brought out new products and merchandising systems. Eveready's "Conductor" battery, aimed for use in audio devices, has been picked up. Rayovac and Panasonic, most successful in the discount store channel to date, are pursuing programs aimed at drug stores.

Rayovac, for example, introduced a checkout pack system that sells single and double count packs from gravity-feed and wire rack displays.

Although battery use is growing overall, rechargeable batteries have yet to gain widespread acceptance because consumers are unfamiliar with the products, and the recharging units and batteries are relatively high ticket.

Position, space, advertising can get hosiery sales running

By Chris Bizzarro

This Hollywood, Calif., CVS displays private-label hose alongside L'eggs.

Total hosiery units purchased

	1988 1st quarter (in thousands)	1987 1st quarter (in thousands)
Support	27,324	27,979
Control top	75,839	71,017
Regular	126,446	144,582
Total	229,609	243,578

Source: MRCA Information Services

The ladies' sheer hosiery category—though posting flat sales overall—is experiencing a growth "run" at some drug chains.

Total pantyhose/soft goods sales at drug chains in 1987 grew about 6.6 percent, according to the *Drug Store News* Annual Report.

"The ladies' sheer hosiery category is a $2.5-billion category in dollar share, with drug chains representing 12.5 percent of the market," said Sam McCormick, vp of product development at Kayser-Roth.

Drug chains have experienced a 1-percent increase in dollar share versus one year ago today, McCormick estimates.

Stephanie Hayter, buyer at Genovese Drugs, attributes growing sales to several factors. The chain has added space for its reintroduced private label brand. It now allocates an average 28 square feet to women's sheer hosiery.

"In most of our remodeled and new stores, the category is found in the front of the store, since it is a high-impulse item, and is placed near the cosmetics section," Hayter said.

Hayter said the increased exposure has been beneficial to the sale of Underalls, No Nonsense, L'eggs, and its own brand.

At Rix Dunnington in Massachusetts, buyer Jay Weiner is also experiencing growing sales in the two brands Rix carries: L'eggs and No Nonsense.

He said heavy advertising from the two vendors and fashionable new product introductions have boosted sales.

"The pantyhose are more sheer than they were a couple of years ago, and newer seasonal styles such as summer pastels and winter hosiery" are fueling sales, he said.

Katie All, hosiery buyer for Bill's Drugs in Lafayette, Calif., said sheer hosiery sales are growing due to the fact that more women are working and dresses are making a big comeback in the workforce.

Hemlines are not really a factor, she said, as pantyhose are worn with both long and short skirts.

Chains take different approaches to merchandising and promoting the category.

Cunningham Drugs, for example, has gained sales growth without strongly promoting.

The chain does not advertise the No Nonsense and L'eggs brands it carrys, and typically doesn't offer everyday discounts on the manufacturers' suggested retail price. But the chain may offer a 50-cent promotion off certain styles, says president Jim Devine.

Devine said the pastel summer shades and in-store floorstands have increased the sale of hosiery at the chain. A major concern was fitting in the stands in the 6- to 10-foot allocation for the hosiery department.

Kayser-Roth's McCormick argues hoisery promotion at a slight discount with advertising will drive sales better than heavy discounting by itself.

"A 10-percent discount on the suggested retail price with a strong advertising or in-store promotional display feature is equal to a 50-percent discount on an unadvertised basis," McCormick says.

One buyer for a Northwest chain agrees with Devine that a big problem in merchandising its 8- to 12-foot sheer hosiery section is that "floor space tends to get a bit cluttery."

At Rix Dunnington, Weiner also struggles with space limitations. The chain has decreased floor displays.

Rix advertises through circulars, and offers a 10-percent everyday discount on the manufacturers' suggested retail price to compete with supermarkets and other drug stores, he said.

Women's sheer hosiery used to be a private label business, and some chains are getting back to basics with introductions of their own lines.

Hayter said Genovese reintroduced its brand into the market about a year and a half ago.

Private label is the most profitable segment of a category that is profitable overall, with 35-percent margins, she said.

Genovese's brand has a facing between L'eggs and No Nonsense, and is priced at 25 percent to 30 percent below the national brands. The line consists of a sheer-to-waist hose, regular (nonsupport) hose, knee highs, control top and ultra sheer hose.

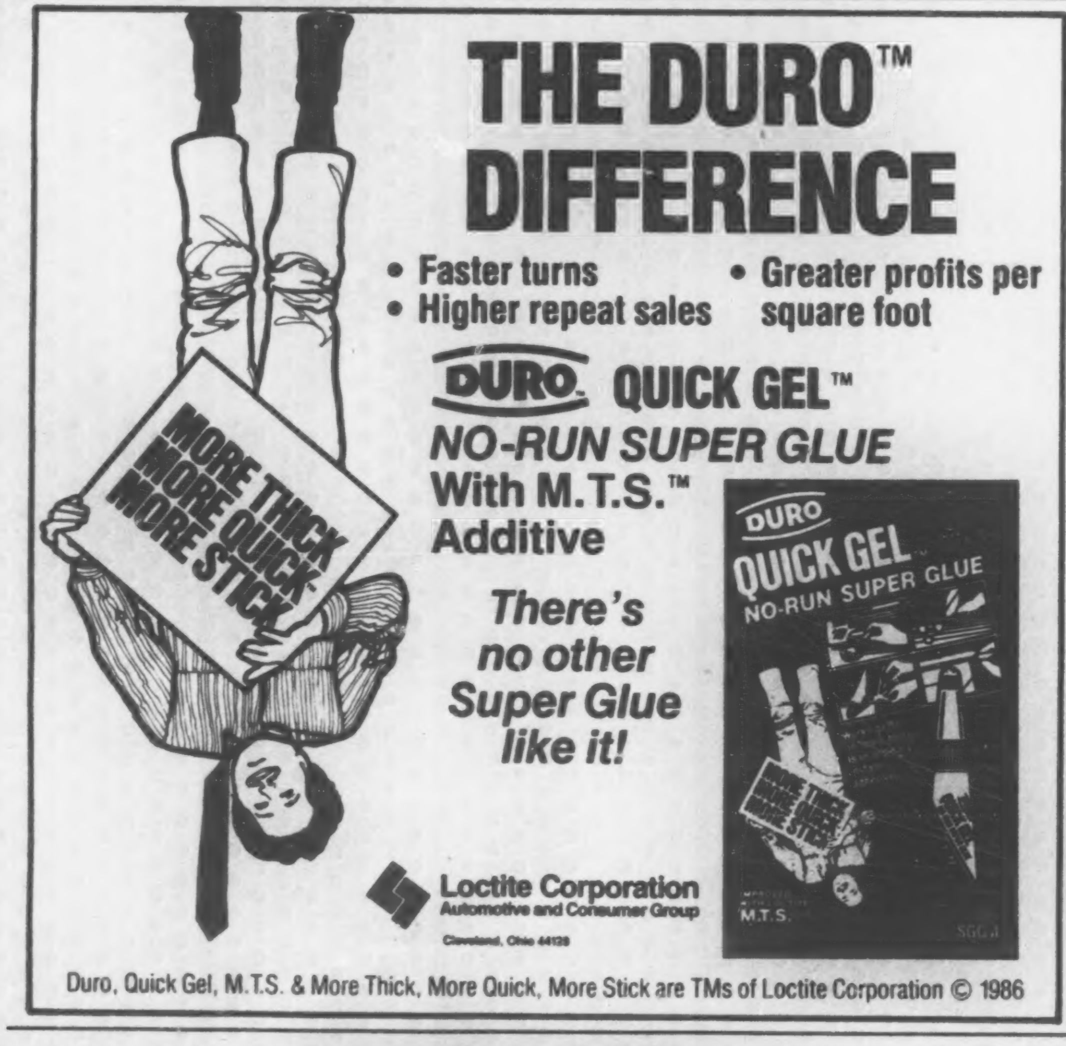
Genovese is in the process of changing its packaging for a more upscale look, "comparable to the Underall brand," said Hayter, "with a department store-look package."

Bill's Drugs has also increased department space to 16 feet to 40 feet to make room for its new six-SKU private label pantyhose line. It's packaged in a soft pouch similar to the No Nonsense brand, said All.

Hosiery volume in drug stores

Type	Period	Units purchased (in thousands)	Share	Dollar volume (in thousands)	Share
Support	1 Q 1988	2,786	10.2%	$ 7,617	10.6%
	1 Q 1987	1,691	6.0	5,168	6.7
Control top	1 Q 1988	4,129	5.4	9,051	5.2
	1 Q 1987	4,661	6.6	9,861	6.1
Regular top	1 Q 1988	12,830	10.2	16,133	8.7
	1 Q 1987	12,465	8.6	14,307	6.9

Source: MRCA Information Services.



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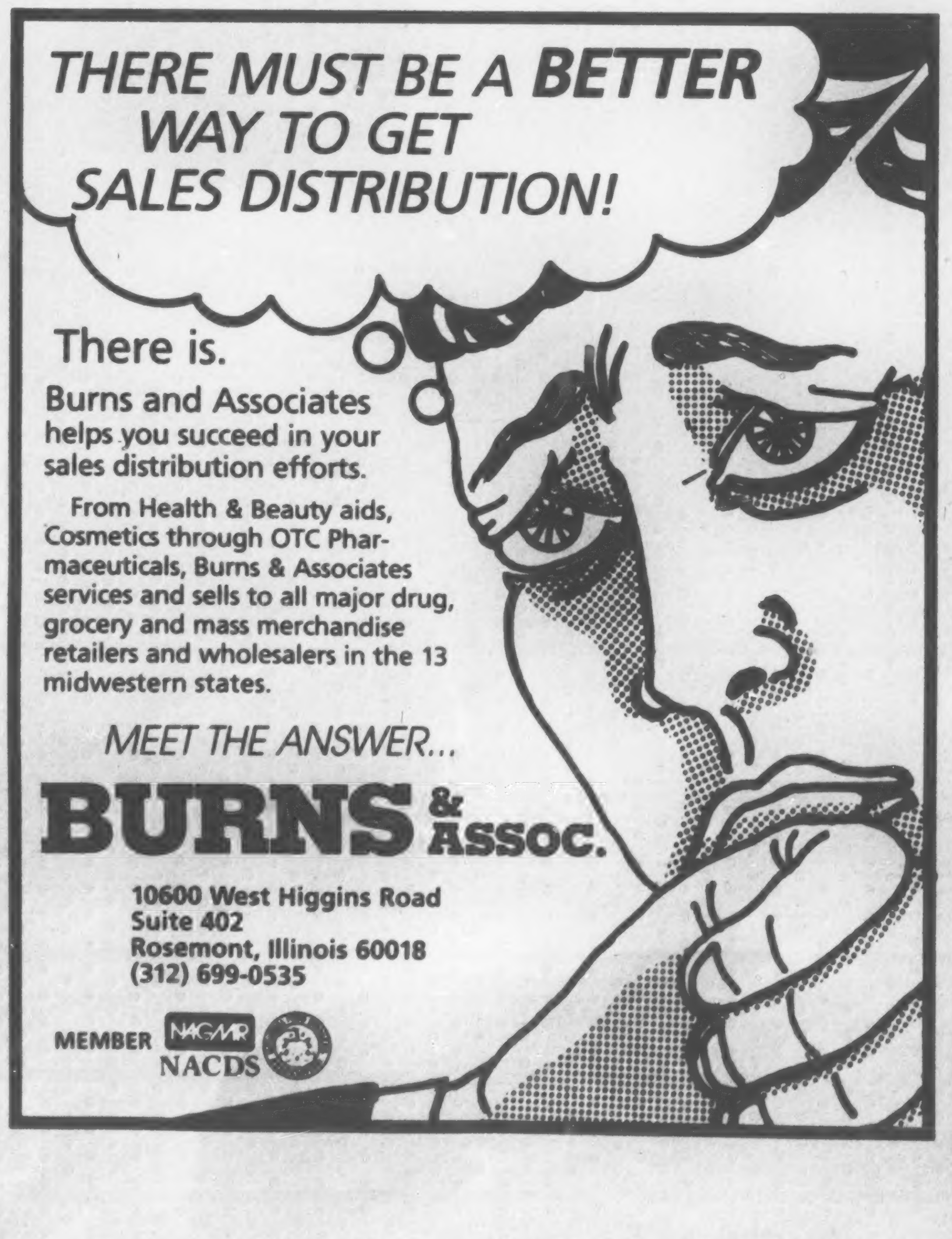

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Brokers Want To Give Regional Marketing Support To Retailers & Manufacturers

Grocery product buyers for nonfood chains often rely on brokers to obtain product and information from grocery product manufacturers.

Now a new survey suggests that brokers, who traditionally have performed primarily as manufacturer sales representatives, will have a broader role to play in helping manufacturers better service their retail and consumer customers.

According to the survey, which was recently sponsored by the National Food Brokers Association, many brokers today are expanding into regional marketing programs that are designed to improve the retail sell throughs of the brands and products they broker.

The survey revealed that 81% of all manufacturers and 92% of all brokers believe that brokers should be involved in the regional marketing of their client's products.

The survey also showed that currently 81% of all brokers say they are involved in regional marketing of dry groceries while 22% are involved in the regional marketing of non-food groceries like pet foods and paper supplies. 24% of the brokers also said they are involved in the regional marketing of household cleaners.

The above chart gives an example of how much more involved today's brokers are becoming in regional marketing.

Marketing Services Added by Brokers In Last Two Years

Services	% of Brokers who added this service in the past two years
Increased retail coverage	76%
Regional marketing advice to manufacturers	75
Developing local trade promotions	72
Computer reporting systems	71
Event marketing	68
Computer order/entry systems	64
Market research/analysis	50
Computerized planograms	5
Other	15

Source: National Food Brokers Association

Consumers Sweet Tooth Keeps Them Hooked On Candy

What makes candy such a profitable category in today's retail marketplace.

Well, it seems to be one of those things that consumers just can't do without. According to the latest statistics, 90% of all U.S. households buy candy.

The frequency of purchases breaks down this way:

- **9% of all adults buy candy daily**
- **56% buy it "at least" once a week.**
- **31% buy it less than once a week, but at least once a month.**
- **And 13% buy it less than once a month.**

Source: Opinion Research Corporation

m&m's
Chocolate with Almonds
m

65% Of All Teens Drink One Soft Drink A Day Most Tell Their Parents The Brand To Buy

Teenagers are big spenders in todays affluent youth market. Not too surprisingly, one of their favorite purchases is soft drinks. However, have you ever wondered how many teenagers consume soft drinks and how often.

TEEN Magazine was recently curious about that so they did what their editors call a "soda quota" special market research survey.

Here are their findings from a survey that was done last Fall.

- 65% of all teenagers enjoy a soft drink "at least" once a day.
- 41% quench their thirst with a soft drink more than once a day.
- 36% prefer regular soft drinks; 26%, diet, and 36% have no preference.
- Of those that prefer regular soft drinks, 59% are weight watching.
- 69% of those who prefer regular soft drinks think they taste better.
- 53% say either they themselves or their parents bought the soft drinks. Of those that said their parents were the primary purchases, 82% said they specified the brands to buy.
- 94% say that soft drinks are served at teen parties; 57% said they throw two or more parties a year.
- 63% buy their soft drinks, at least sometimes, in vending machines. Only 6% said they bought soft drinks in drugstores, but 32% said they do buy them in convenience stores. 24% said they also buy soft drinks in grocery stores. Discount stores were included in the survey in the category of other.

TEEN based its findings on 475 completed questionnaires. The average age of the respondents was 15.7 years.

Ad Watch: How Drug Chains Are Promoting Foods

Starting with this issue, Fm is launching a regular ad tracking feature on promotional groceries.

The charts in this section of FM are designed to help our retail readers quickly identify some of the current trends in promoting groceries. In later issues, we hope to be able to include discount and food chains in our ad tracking reports.

We recommend that you use these charts as a tool for measuring and evaluating your current advertising strategies relative to the national market.

At a glance, you should be able to see if your own ad programs include the most frequently advertised brands within the food category.

You should also be able to identify categories where the pricing competition is particularly intense, and that will give you the option of deciding whether you want to "bang heads" with other chains on these categories, or back away from advertising them until the pricing competition eases off.

Comparison of Chain Drug Store Ad Prices For Food Products*

Brand	Size	Chain	Ad Price	Market
Coca Cola	2 liter	Dart Drug	99¢	DC
Coca Cola	2 liter	Rite Aid	$1.15	Pa.
Coca Cola	6 pack	Super D	$1.59	Tenn.
Coca Cola	6 pack	Rite Aid	$1.75	Pa.
Frito Lay	7 oz. chips	Pic N Save	79¢	N. Fla.
Frito Lay	7 oz. chips	Medic Discount	89¢	Ohio
Geisha	6.5 oz. lgt. tuna	Osco	2/99¢	LV
Geisha	6.5 oz. lgt. chunk tuna	Walgreen's	2/$1	Ill.
Nabisco	18 oz. Chips Ahoy	Pay Less	$1.99	Ca./Ore.
Nabisco	18 oz. Chips Ahoy	Bud's	$1.89	DC
Pepsi	2 liter	People's	99¢	DC/Ind.
Pepsi	2 liter	SupeRx	99¢	Ohio
Pepsi	6 pack	Walgreen's	$1.49	Ill.
Pepsi	6 pack	Longs	$1.69	Ca.
Planters	Cheez Balls	Walgreen's	79¢	Ill.
Planters	Cheez Balls	People's	89¢	DC

+Ad Tracking for the months of September and October 1987
Source: Vereen & Associates
*Print ads only

Chain Drug Stores: Most Frequently Advertised Food Brands

Brands	Category	% of all Food Ads**
Pepsi Cola	Soda	4.1%
Coca Cola	Soda	3.2
Frito Lay	Potatoe Chips	2.6
Nabisco	Cookies/Crackers	2.6
Geisha	Canned Fish/Canned Foods	1.1
Planters	Chips Snacks	1.1
Orville Redenbacher	Popcorn	0.8
Total as a % of all Food Ads		15.5

+Ad Tracking for the months of September and October 1987
Source: Vereen & Associates
**Print ads only & does not reflect size of feature ads

Chain Drug Stores: Most Frequently Advertised Food Categories

Product Category	% of total food ad space in chain drug print ads
Soda	8.6%
Cookies	3.7
Potatoe Chips	3.7
Corn Chips/Cheese Balls/Pretzels, etc.	2.5
Fruit Drinks/Juices	1.9
Popcorn	1.9
Ice Cream/Sherbet	1.8
Candy	1.7
Canned Fruit	1.7
Crackers	1.4
Canned Fish	1.3
Total as a % of all Food Ads	30.2

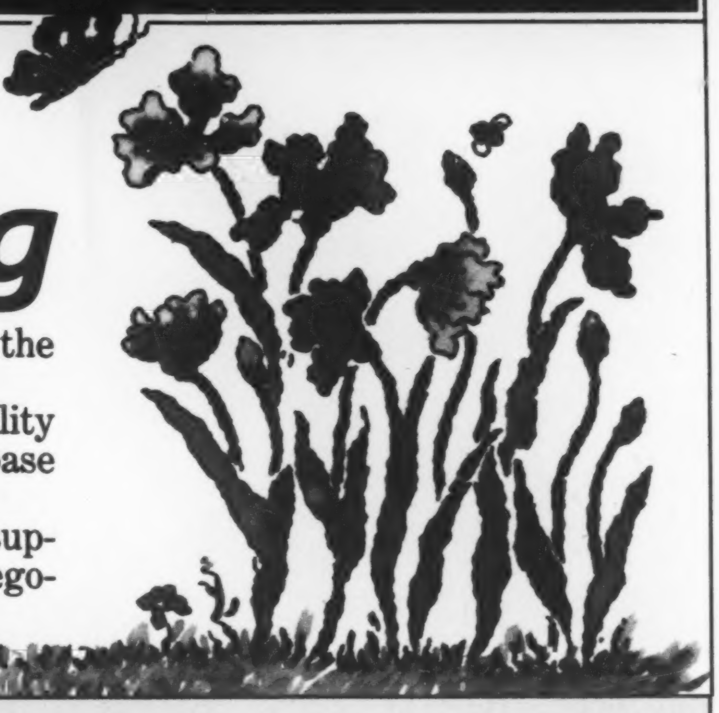
+Ad Tracking for the months of September and October 1987
Source: Vereen & Associates

The information in this survey is based on an ad tracking service developed by Vereen & Associates, Indianapolis.

Vereen covers 100% ad activity in 40 drug store product categories.

The service now monitors the print ads of the industry's 30 highest volume drug chains.

Best Selling Categories of Spring



The chart below lists the best selling categories in food stores for the months of March, April and May.

The rankings are based on a special Sami study tracking seasonality growth trends by category. The categories that made the list had a base index of at least 110 for the three years ended in May, 1986.

Knowing the index makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.

Foods and Groceries: Best Sellers of Spring

(Average three year index ranking)

March	
Foods	**Index Ranking**
Packaged candy covered non-chocolates	222
Packaged jellies	163
Tartar sauce	143
Diet desserts	141
Canned salmon	138
Packaged solid chocolates	137
Fruit rolls & bars	133
Dried Prunes	126
Canned hams/meats	126
Diet canned fruit	124
Packaged other chocolates	124
Canned peaches	117
Canned beets	117
Cereal meal bars	116
Gelatin desserts	116
Diet jams/jellies	116
Dried apricots	116
Honey	116
Canned spinach	115
Pizza products	114
Breading/batter mix	113
Diet canned vegetables	113
Nonfoods	
Car care products	124

April	
Foods	**Index Ranking**
Soft drink mixes	198
Iced tea mixes	153
Instant tea	153
Barbecue sauce	150
Freezer bars	149
Diet desserts	128
Canned apricots	120
Canned pears	119
Diet canned fruit	118
Canned peaches	117
Fruit rolls/bars	117
Diet canned fruit	117
Dry topping mixes	117
Dried prunes	116
Canned pineapple	112
Canned spinach	112
Diet jams, jellies spreads	111
Prepared mustards	111
Gelatin desserts	110
Grape juice	110
Nonfoods	
Insecticides	225
Insect repellents	213
Charcoal lighters	160
Car care products	151
Charcoal	143
Window cleaners	115
Furniture care	111

May	
Foods	**Index Ranking**
Freezer bars	237
Barbecue sauce	191
Relishes	173
Fruit pectin	171
Iced tea mix	164
Instant tea	159
Canned salads	158
Pork & beans	150
Soft drink mix	150
Meat sauce	131
Mustard	128
Pickles	125
Lo-cal salad dressings	123
Pourable salad dressings	123
Potato chips	121
Diet desserts	113
Juice & Juice concentrates	113
Non-chocolates	112
Canned sausages/franks	112
Nonfoods	
Charcoal	212
Charcoal lighters	210
Insect repellents	206
Insecticides	173
Car care products	145
Paper & plastic plates	140
Plastic flatware	138
Paper/plastic cups	123
Window cleaners	118
Motor oil & car additives	115
Paper napkins	110

Source: Sami Seasonality Study

Warehouse club stores appeal to businessmen, professionals and off the street consumers.

Membership Warehouse Club Sales Soaring

Sales for membership clubs jumped 31% to $10.7 billion in 1987.
Top 12 chains now account for 95% of total industry sales.

The wholesale/warehouse club industry continued to show dramatic growth in 1987.

According to the Fm's sister publication, *Discount Store News*, sales for the industry rose an estimated 31% in 1987 to $10.7 billion.

About 95% of the industry's volume is generated by the nation's dozen largest warehouse club chains, led by San Diego-based Price Club which has a 32% share of all major wholesale club chain sales.

The Top 12 chains, *Discount Store News* also estimates, now operate a total of 273 units (some wholesale club operators object to the word stores because their units perform a cash and carry wholesale service). Altogether, their unit count is up 54% over 1986.

For 1988, *Discount Store News* is estimating that the Top 12 chains will open another 60 units, for a store universe growth rate of 22%.

If the industry achieves its growth plans, and it is likely that it will, then *DSN* and *Fm* are estimating that dollar sales for all chain Membership Clubs will top $13 billion in 1988, and sales for the industry may exceed $14 billion.

Membership Clubs: The customer base and the mix

A hybrid that is partly a cash and carry wholesale operation and partly a super sized retail store, the typical warehouse club unit

Membership Warehouse Clubs: Sales and Unit Growth

(1983 through 1990)

	Sales (billions)	Units
1983	$ 1.0	36
1984	$ 2.4	79
1985	$ 4.5	137
1986	$ 8.2	228
1987	$10.7E	325^{e}
1988	$14.2P	400^{P}
1989	$17.8P	505^{P}
1990	$21.0P	600^{P}

^{e}means estimated. ^{P}means Projected

Source: *Discount Store News* Research

sports a mix that includes edible- and non-edible groceries, health and beauty aids, apparel and other softwear, and a variety of hard line items ranging from televisions and stereos through tires and such gadgets as electronic garage door openers.

The customer base is predominately small business with off-the-street consumers usually making up about 30% of a typical wholesale club's customer mix.

Sometimes, however, the customer mix can be more in the vicinity of 50% small businesses buying on a cash and carry basis and 50% off-the-street customers buying case loads of low- to mid-ticket items and singles of high-ticket items like televisions.

Margins average about 10%

Mark-ups in a typical Warehouse Club are typically low to generate turns. Most Clubs say they charge wholesale prices plus a small mark-up of approximately 5%. Profit margins generally average about 10% overall.

Most Clubs also charge members a fee to join as well as an annual fee to remain a member. Most Clubs usually insist on cash payments rather than checks or credit cards.

The typical club also has a mix of about 3,500 to 4,000 sku's and generally turns its inventory between 12 and 20 times a year.

Who's Who In Membership Clubs

The leading chain in the segment is still Price Company, whose founder Sol Price opened the first membership club in San Diego, California back in 1976.

However Sam Walton who founded the Wal-Mart chain is fast moving up from second place and it looks like his Sam's Wholesale Clubs, based in Bentonville, Ark., may overtake the Price Clubs for the number one spot either later this year or sometime in 1989.

In 1987, Price Club generated approximately $3.2 billion in sales, up 25% over last year. Their unit count rose from 27 to 37 and they are planning to end 1988 with 41 units.

Sam's Wholesale Clubs now numbers over 84 units, an increase of 71% over last year. Walton says his chain will probably end the year with about 102 units.

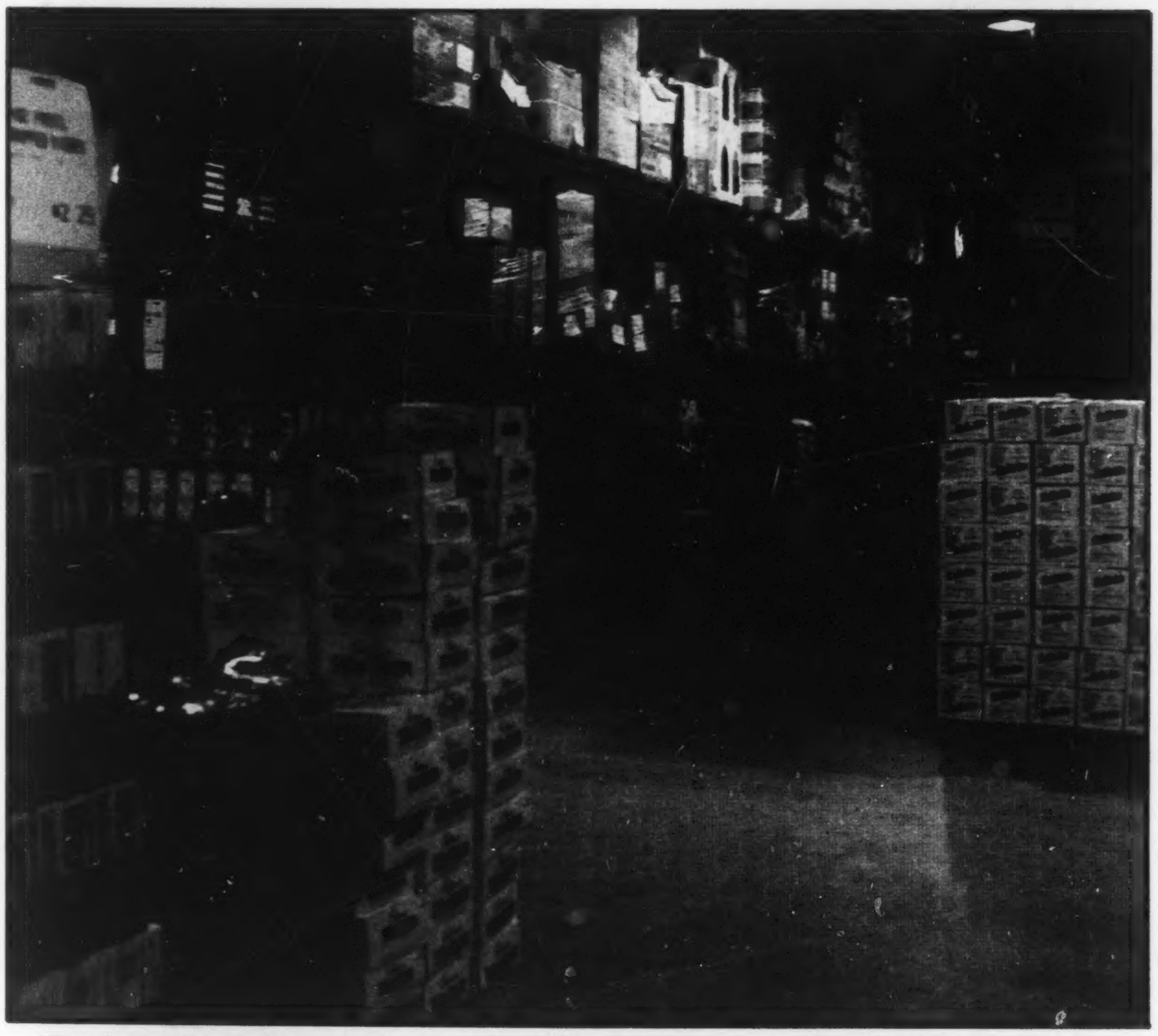
In 1987, Sam's Wholesale Clubs generated $2.67 billion in sales and had a market share of 26% among the Top 12 chains. Their sales were up 59% over last year.

Costco, based in Seattle, Wash., is in third place with a 13% share of all chain sales. Their 1987 sales were up 83% to $1.37 billion, while their unit count was up 95% to 43 units. They plan to end 1988 with 55 units.

Colorado-based PACE is in fourth place with sales of $939 million and a share of 9%. Their sales were up 58% in 1987, and they now have 33 units compared to the 25 they had last year at this time. They plan to open another three units before the end of 1988.

Massachusetts-based B.J.'s is now in fifth place with estimated sales of $575 million, up about 63% from 1986. They now have about a 6% share with just 19 units, up from 15 in 1986. Their management plans another four units for 1988.

Makro, Cincinnati, Ohio moves up from seventh to sixth place this year. They have a 3% share with four stores.



The interiors of most warehouse club stores are stark. Merchandise is usually displayed on pallets, in cut cases or on warehouse shelving.

Makro didn't open any new stores in 1987, and their sales were relatively flat, inching up about 7% to an estimated $310 million, according to *Discount Store News*.

They do plan three more stores for 1988, however.

Price Savers of Salt Lake City opened six units in 1987 and generated sales growth of 72%. They're nearly tied for seventh place with Makro, according to *Discount Store News'* estimates, and they also have a 3% share of sales.

In 1987, *DSN* estimated their total sales at $310 billion. They plan a nother six stores for 1988.

The Wholesale Club in Indianapolis is also close to a tie for seventh place. With four new stores opened in 1987, they generated sales of nearly $272 million, up 72% from 1986. (See our Winter *Fm* issue for a profile of The Wholesale Club chain.)

In tenth place among the Top 12 is Illinois-based Warehouse Club. They opened two units in 1987 for a total of 12 and have no more units planned for 1988. Their 1987 sales were up 45% to $228 million.

Texas-based American Wholesale with four stores doubled its sales in 1987 to $100 million. They only had two stores in 1986 and they plan to have six altogether by the end of 1988.

Idaho-based Club Wholesale is in twelth place with an estimated $70 million in 1987 sales. They opened two stores in 1987 for a total of six and plan two more for 1988.

Altogether, these 12 chains generated about $10.2 billion in sales in 1987 from a universe of 273 stores.

Discount Store News is estimating that by 1990, there will be about 600 units in this industry and sales will exceed $21 billion.

Who's Who In Membership Warehouse Clubs

(Top 12 chains by dollar volume: millions)

Chain/Company HQ	1987 sales	% chng vs '86	Total Units	% chng vs '86
1. Price Club San Diego (Price Company)	$3.236	25%	37	37%
2. Sam's Wholesale Club Bentonville, Ark. (Wal-Mart)	$2.670	59	84	71
3. Costco Seattle, Wash.	$1.370	83	43	95
4. PACE Denver, Col.	$ 939	58	33	32
5. B.J.'s Boston, Mass. Wholesale Club (Zayre Corp.)	$ 575+	64	19	27
6. Makro Cincinnati, Oh.	$ 310+	7	4	0
7. Price Savers Cincinnati, Oh. (Kroger)	$ 300+	72	12	100
8. The Wholesale Club Indiannapolis	$ 272	72	15	369
9. Warehouse Club Niles, Ill.	$ 228	45	12	20
10. Buyers Club Englewood, Colo.	$ 120+	50	5	33
11. American Wholesale Richardson, Tex.	$ 100+	100	4	100
12. Club Wholesale Medidian, Idaho	$ 70	75	6	77

+ *Discount Store News* estimates

Source: *Discount Store News* Survey and annual reports

K mart enters the fray

In February of 1988, K mart came into the wholesale club picture by acquiring a controlling interest in Makro. Makro currently has over a dozen units on the drawing board for next year, and K mart has said that it wants to have about 20 units by 1990, and that includes opening several new markets in the northeast and the upper midwest.

In an unrelated diversification, K mart is also in the process of developing a hypermarket. Wal-Mart, K mart's biggest competitor, currently operates two hypermarket prototypes: Super-Center and Hypermarket USA.

Groceries are an important category in hypermarket stores just as they are in wholesale/warehouse clubs, and K mart is said to have been attracted to Makro because 50% of their sales are in grocery categories. (See the Winter, 87 *Fm.)*

Wal-Mart, of course, is very close to becoming number one wholesale club operator with Sam's.

K mart says it wants to have 20 Makro units by 1990, but Wal-Mart already has 84 Sam's and it plans to have over 100 units before the end of this year.

Wal-Mart has already become the first wholesale chain to break the 100 unit (store) mark.

Marketing changes

In terms of positioning themselves to customers, the wholesale clubs still seem to be following two major thrusts: some chains are trying to beef up their wholesale businesses so they can back away from their retail customers who spend less per visit than wholesale customers. Meanwhile others, like Makro, are adding more service departments to enhance their appeal to retail consumers.

Makro, for example, is adding service bakeries and deli sections to its current clubs, and will include these departments in all new stores.

The Wholesale Club, on the other hand, is looking for ways to provide more service to the small business customer or to the professional doctor, dentist or veterinarian who needs to buy office supplies and other stables in relatively large quantities.

Their management tells *Fm* that they believe volume is the key to a successful wholesale club operation and they say they do not want to tie up their registers with a $20 or $40 purchase when a small business customer will spend $400 to $700 in one visit.

Price Club, too, is trying to enhance its image as a business-oriented club. Price now considers individual professionals and contractors as small businesses, and as such, they are entitled to their own membership cards rather than group memberships.

Price is also, however, moving to expand its mix into categories that will appeal to off-the-street consumers. Right now, they have optical centers in 11 stores and tests of a gas station and pharmacy are underway.

Sam's is also trying to up the volume in its stores including the 18 Super Savers it purchased in mid 1987. The typical Sam's averages about $50 million a year in sales, far less than the $100 million that the typical Price Club can generate.

Costco is also going after more off-street traffic by rolling out an expanded offering of fresh meats and produce. Last year, Costco also expanded pharmacies and began installing optical centers.

Some chains are also experimenting with credit cards. Buyers Club now accepts bank cards in what is an obvious move to appeal to retail customers, and PACE is testing its own credit card in some markets. Price Savers also has a company credit card.

It's clear that many wholesale club operators think they can get the dollar volume they need by being both a service wholesaler and a service-oriented retailer.

Grocery Sales up 51% in Warehouse Clubs Last Year

Growth is the result of refinements in the product mix and of a stronger marketing directed at small businesses and food service operators

Groceries account for approximately 50% of all warehouse club sales.

The wholesale/warehouse club industry did a booming business in grocery products in 1987, and from all indications 1988 is going to continue to be strong.

According to Fm estimates, based on an analysis done by Malcolm Knapp, Inc., in New York, the wholesale club industry generated a 51% increase in grocery sales in 1987 to $5.8 billion.

With industry sales averaging about $10.7 billion last year, grocery products garnered a 54% share of all wholesale club store sales.

Fm is estimating a more conservative increase for 1988, but our projections indicate that grocery sales will still be up a dramatic 24% to approximately $7.2 billion. With total industry sales projected at $14.2 billion for 1988, groceries next year should attain a 51% share of total wholesale club sales.

Growth comes from expanding the mix

Much of the growth in this industry is coming from new store openings. The top 12 chains that do 95% of the total industry volume went from 273 stores in 1986 to 332 in 1987, an increase of 54%.

But club operators also tell Fm that their same store growth is coming from an improved product mix, from enhanced services for off-the-street customers and from strong marketing programs geared to attract food service operators and small businesses that resell groceries.

Some chains like Costco in Seattle and Makro, which is now owned by K mart in Michigan, are adding service departments like fresh meat, fresh seafood, produce and bakeries to their mix in an effort to enhance their appeal to both consumers and restaurant operators; others like The Wholesale Club in Indianapolis and B.J.'s, which is owned by Zayre's in Boston, are refining their mix, adding more of the top 20 items that do 80% of the business, and adding previously overlooked categories like portion pack condiments for small restaurants or packages of penny and nickle candies that both restaurants and Mom and Pop operators like to use as "change makers."

Many chains are also using direct mailers and telemarketing companies to seek out and inform neighborhood small businesses about their services.

One buyer said his company was concentrating on letting the local variety store operators, and the local office managers know that they could buy more than just stationary or cleaning aids in his stores.

"We want them to see we can also supply them with candy or soft drinks or coffee or sugar," he said. "Maybe, we have a medical complex customer buying cleaning supplies or stationary from us right now. Well, we want them to realize that if they make coffee for their customers, then they can buy their supplies here with us as well as the coffee machines and the filters.

"If a variety store is buying cigarettes and soft drinks from us now, then we want them to buy their candy and their snacks here, too. If a beautician is buying cleaning supplies from us, then we want her to think of coffee and snack supplies as well, and if her shop has a guard dog, then we want her to buy her dog food here. That's how we build the volume."

Most wholesale club executives say they can't easily classify their grocery shopper. He or she, they say, buys groceries to meet a variety of needs, ranging from purely business to purely personal.

"I often watch the customers checking out of my warehouse stores," says Thomas Geisse, Marketing VP for the $271 million The Wholesale Club chain, "and I wonder what they're going to do with the different things they're buying.

"It's easy to spot the consumer who is just buying groceries for her family, or the gas station operator who's buying a box of doughnuts to snack on while he puts in the batteries he's just bought or the tires, but when you see someone who may have a flatbed filled with chemical supplies, clothes, appliances and cases of soft drinks, you really can't be sure what their end use is."

Among the 12 chains that now do 95% of all wholesale club volume, the Price Club is considered the undisputed leader at maximizing sales. Their 37 stores average about $100 million a year in sales, and although their mix is relatively small averaging about 3,500 sku's, it is carefully tailored to feature what the 60% of its members who are wholesale customers seem to want.

The Price Club boasts turns of between 18 and 25 a year, which is more than double what most of the competition can achieve.

Perishables are an important part of the average warehouse club grocery mix. Customers buy for their personal use as well as resale.

Grocery Sale Trends In Membership Warehouse Club Stores
(retail sales millions)

Category segment	1982	1985	1986	1987	1988
Packaged Groceries (excluding snacks)	$122	$1,526	$2,802	$4,203	$5,181
Packaged					
Alcohol	$ 13	$ 174	$ 327	$ 490	$ 603
Paper Goods	$ 11	$ 153	$ 288	$ 444	$ 564
Soaps/Household					
Cleaners	$ 12	$ 157	$ 296	$ 449	$ 560
Pet Foods	$ 6	$ 80	$ 154	$ 239	$ 304
Total Sales	$164	$2,090	$3,867	$5,825	$7,212

Source: Malcolm M. Knapp, Inc., New York

"The secret," says a source, "is to carry what's most in demand. The large institutional size packs like the number ten size cans of fruits and vegetables, the 64-oz. cans of sauce and ketsup, the 50-lb. bags of dog food are very important to the wholesale customer.

"So are multiple packs of items like tuna and frozen meats.

Operators also say that brand name merchandise is important to them, particularly because selling brands at wholesale prices helps them establish their market identity and, as one source said, "it helps persuade our wholesale customers that they can rely on us for quality as well as for service."

Groceries have been generating about 50% of wholesale club sales even since the industry was born about six years ago. Most companies think groceries will continue to account for about half of the business for many years to come.

"It's the one category that people have to buy daily," said one buyer. "You buy it. You use it. You come back for more. In a way, it's the heart of our business, because it brings in the traffic that exposes our customers to all the other variety we have to offer. And when we take a 3% or 5% margin on a grocery or a soft drink, it sends a very good message to our consumers.

Nonfood chains are giving more space to household cleaning items. Turns are excellent.

Cleaning Supply Sales Up In NonFood

Most chains buy their cleaners on deal. On promotion, margins average 20% and everyday, they average 40% in this profitable category.

Kmart used to be the most aggressive nonfood promoter of household cleaning products as traffic builders, but now everyone in nonfood is featuring cleaners, from small independent drug stores to the Sam's Wholesale Clubs that average $50 million a year in sales.

According to Kline & Co., a marketing consultant firm based in Fairfield, N.J., household product sales are down in food stores, by 2% to 5% depending on the category, but they are up significantly in nonfood outlets.

Nonfood chains are promoting the category more often, they are increasing the number of household cleaning skus in their private label lines, they are building more ends featuring cleaners, and chains with large stores are putting them out on floor stacks and pallets.

The fact that the category is down overall in food stores, say buyers and nonfood brokers, is not a problem for the nonfood industry. "You are looking at a multibillion category," says broker Rick Bloom, who manages the Crofton, Md., branch of Watt & Company, "and there are plenty of people buying cleaners."

"It's a very attractive category with women shoppers. The nonfood stores are using cleaners both as a convenience department for their shoppers and as a traffic builder. And both ways, it's working well. With everyday margins of 40% to 55%, it's a very profitable regular department."

Buyers and brokers also say there is a lot of flexibility in the category in terms of what sells well. National brands like Tide, Clorox, Dawn and Wisk always do well, but so do some of the lesser brands like Real Pine, Bab-O and Purex.

"For some of the bigger brands like Tide and Clorox, there is a lot of price sensitivity," said a source for K mart. "These are items that most women buy one or two times a month, and they know the prices on these brands, so when we undercut the food stores by 20% or 30%, we generate a lot of traffic.

"On the other hand, women also buy a lot of cleaners on price alone. Bab-O is not Comet, but if we feature it at five 14-oz. cans for $1 as we often do, we can turn a lot of product. And because we're only buying on promotion, we can even make some money."

Some of the lesser known cleaners like a Murphy's Oil Soap also do very well in nonfood stores. Buyers say there is virtually no feature activity on a brand like Murphy's from the food stores, so they don't have to worry about banging heads when they feature it.

Drug chains, in particular, have been aggressively promoting Murphy's lately, and Art Silver, President of Silver Marketing in Berlin, N.J., says that it has been "blowing out the doors."

New Era for Private Label Cleaners

Nonfood chains are beginning to upgrade their private label cleaning products.

Sources say that chains like Peoples, Rite Aid, K mart, etc., are planning to upgrade their formulations as well as their packaging so their own store brands can match the national brands on both quality and presentation.

At least one major food chain, Weiss Supermarkets in the northeast, has already taken this step, and a source says their sales of private label cleaners are showing stronger growth.

"Right now," says one source, "a chain may have a private label dishwashing detergent and typically, that formula will contain between 25% and 34% solids. Well a national brand like Dawn contains about 40% solids. That means the national brand is able to wash more dishes because the higher the solids level, the more dishes you can wash.

"The nonfood chains want their store brands to stand for quality so you're seeing a trend to upgrade their formulations, and at the same time, the chains are working on upgrading their packaging.

Some private label manufacturers in fact are now doing cross labeling for their customers just as the national brand manufacturers do. A few companies will cross label a store brand so the retailer can put a 25 cents off coupon, good toward a purchase of maybe their private label fabric softener, on a bottle of their private label dish detergent.

Other chains are talking to manufacturers about developing trial sizes, and in some food stores, you're soon going to be able to see knock off labels that read something like this: "If You Like Dawn, Try Me."

One source said the trend marks the emergence of the private label industry into "the era of marketing."

Frequently Promoted Cleaning Products In Nonfood Stores

Product	Popular Promotional Price
64 oz Wisk	2 for $5
14 oz Bab-O Cleanser	5 for $1
22 oz Joy	$1
22 oz Dawn	$1
128 oz Purex	$1
12 oz Shout	$1
3 pack Ty-d-Bowl	$2
16 oz Woolite	2 for $3
1.7 oz Vanish Drop-ins	3 for $2.25
24 oz Vanish	$1
147 oz Purex laundry soap	$3.37
60 oz Cascade	$1.89
28 oz Parsons ammonia	42 cents
14 oz Carpet fresh	$1.44
20 oz Magic Sizing	77 cents
Package of 8 Handi Wipes	97 cents
Package of 5 Stretch 'n Dust	97 cents

Source: *Fm* Research

"When the nonfood chains promote Murphy's," he said, "they feature the 16-oz. size at 99 cents to $1.09. Food stores generally charge about $1.29 for it every day. The key to turning the household chemicals in nonfood is pricing it considerably lower than the food stores. The chains are finding that when they go out with something like Murphy's at the right price, it blows out the doors."

Murphy's Oil Soap is showing a 30% increase in my nonfood sales," says Burt Houseworth, President of Key Stone Brokers in Oradell, New Jersey. "But, in fact, the entire category is showing growth in the mass market stores. Every major chain is promoting cleaners, and there's more couponing and more multiple promotions going on than I ever remember seeing."

Drug Emporium stores in Philadelphia have done so well with the Murphy's Oil Soap on promotion that they have now added four skus to their everyday planogram.

One source says the average store is generating about $400 a month with that item. Because a lot of the product is bought on deal, the source says the margins are averaging about 18%.

Drug Emporium also does a fantastic business with detergents, dish washing liquids, bleach, fabric softeners and furniture/appliance cleaners. Many of their stores give the category about 36 ft of space, plus ends, case stacks and floor stacks.

"We get a lot of traffic in our stores and the women recognize that our prices are below the market so we get great turns. We also buy a lot on deals so we get good margins. Overall, cleaners are a very profitable category for us," says Bob Lyons who manages the

Growth In Household Cleaning Product Sale

(billions of dollars at wholesale)

Category	1986	1987	% chng
Soaps & Detergents	$4.7	$4.9	4%
Laundry Additives	$1.6	$1.7	6%
Specialty Cleaners*	$1.3	$1.4	8%
Deodorizes & Disinfectants	.570	.580	2%
Polishes & Waxes	.340	.330	(3%)
Total Cleaners	$8.9	$8.5	5%

*Includes ammonias, anti-static products, bathroom cleaners, glass cleaners, etc.

Source: Kline & Co., Fairfield, N.J.

Chains are giving cleaners more feature and off-shelf display space. Sales are up in drug and discount stores.

northeast division of Drug Emporium.

Most drugstores, give the department less space, however. The typical range is from about 12 to 32 ft. Many discount stores give the category as much as 36 to 48 ft., plus end caps and floor stacks. On promotion, discount stores are generally more aggressive with price than drug stores.

"We promote many items as close to cost as possible," said the manager of a Caldor in New Jersey.

"We want to make a statement to our consumers that we stand for value, so it makes sense to make a price statement with something as visible as a household cleaner."

Dart Drug in the Washington, D.C. market has a similar philosophy. Their stores promote household cleaners almost on an everyday basis, and they have given it as much as 50 to 60 running ft. in their stores.

One manager says, "we buy as much as we can of it on promotion and then we just stack it out."

Many chains also have a wide selection of household cleaners available under their own store labels.

K mart, in fact, has just created its own private label version of a Murphy's Oil Soap. "It sold so well for us," said one source, "that we realized we could turn it often enough to make it pay as a private label."

K mart often promotes its private label cleaners in its ads. One recent roto featured the K mart oil soap at a 44% savings, 32 oz. for $1.27 versus the regular price of $2.27. They've also advertised their own 19-oz. spray disinfectant for $1.42, for what the ad said was a "50% savings."

Their dollar day sale circulars almost always include their own private label cleaners. Last spring, the ad featured their own 20-oz. Bathroom Cleaner for $1 as

Household Cleaners: Market Share Changes

(Change in sales share 1987 vs 1986)

Segment	Food's Current share	Food stores	Nonfood stores
Soaps & Detergents	80% Plus	(3%)	3%
Laundry Additives	80% Plus	(2%)	1
Specialty Cleaners*	70% Plus	(3%)	2
Deodorizes & Disinfectants	70% Plus	0	0
Polishes & Waxes	75% Plus	(5%)	5%

*Includes ammonias, anti-static products, bathroom cleaners, glass cleaners, etc.

Source: Kline & Co., Fairfield, N.J.

well as their own Fabric Softener in sheets or concentrate for $1.

Many drug chains also have their own private label cleaners, especially on commodity items like bleaches, ammonias and window cleaners. A source for Pennsylvania-based Rite Aid said they got into it as a way of "offering value" to their consumers.

"It also gives us a chance to feature three of four private label cleaners on one end," said one Rite Aid manager in Pennsylvania.

A Peoples source in Alexandria, Va., where the chain is headquartered, said that having cleaners in the line "rounded out" their private label program and gave them a chance to do a whole Sunday circular on private label.

"In those ads, we feature all kinds of consumables," he said, "everything from cannister snacks to dish detergents to fabric softeners."

Many nonfood chains also have a policy of only featuring the national brands when they are on deal. The rest of the time they'll keep some of the nationals, like Tide, Clorox, Dawn, Wisk, etc., in their regular cleaning department but they won't give them off-shelf exposure.

A typical strategy is to put one or two facings of a Dawn or Dove next to one or two facings of their private label item. The private label is usually 20% to 30% less than the national brand so the chains can offer their customers a significant savings while still making margins of between 20% and 40%.

However when chains do buy cleaners on promotion, which most chains say they do between 90% and 95% of the time, they give them ample off-shelf exposure. "We do very well with cleaners," said one buyer. "When we buy on deal, we can be competitive with food stores and still take 18% to 20% margins. Everyday, we seldom make less than a 30% margin."

Other sources say they are attracted to cleaners because food stores are not promotionally active in this category as they are with certain foods like tuna and mayonnaise or with certain HBA items like toothpaste and shampoos.

"The food stores don't promote the cleaning category that much," says Jim Marx of Pankow Sales in Chicago. "Instead of cutting the price a lot, they depend on rebates or coupons to generate sales in this category."

The most aggressive nonfood promotions with cleaners are seasonal: back-to-school in the Fall is a popular event for cleaners and so are the January/February Dollar Day circulars.

"Nonfood chains also do a lot with multi-pricing in this category," says Marx. "Especially in Dollar Day ads, you'll see a lot of brands priced at 2 for $5 to get the higher sale."

Hot Trends In Cleaning Products

In the household products category, the hot buzz words in 1987 were "lemon fresh," "outdoor fresh," and convenience.

According to the Kline & Company in Fairfield, N.J., the hottest new products were those with the word "lemon" in their brand names and those with fragrances reminiscent of the outdoors.

Convenience was also very important to consumers in '87, and Kline says many of the most successful launches featured either some form of convenience in either the product or the package.

Many manufacturers brought out lemon scented household products last year, but the strongest sales came from the major brands such as Lemon Brillo, Lemon SOS, Lemon Fantastic, Lemon Cascade, Lemon Fresh Dash, and Lemon Comet.

In outdoor scents, Tide Clothsline Fresh Scent stood out and so did Sun Rinse Fresh Liquid Downey. Surf's Fresh Scent, introduced back in 1985, continued to do well. Mountain Spring Dawn is doing well and so is Downey's April Scented Dryer Sheets in test markets.

Colgate did very well with the introduction of the Fab One Shot Pouch which contains everything a woman needs to both wash & machine dry her clothes. Kimberly Clark is now testing a similar single dose product called Command and P& G is testing Bold Washer/Dryer packs. Cheer also has Power Punches in test and P& G is testing Tide Multi Action Sheets and Tide Redi Paks.

Carey Ahsler, a marketing consultant for Kline, says that lemon seems to be hot because so many people associate the scent with efficient cleaning. She says the outdoor scents are doing well because they make people think of the fresh outdoors.

Convenience is important because so many women work. "When a woman is home," Ahsler says, "she doesn't want to spend all her time cleaning, so she buys products that will let her take care of several tasks at once or products that are easier to use like a spray."

Growth Segments In Household Cleaners

Segment	'88 $ Sales (millions)*	% change '88 vs '87
Mildew Removers	$ 41.7	17.9%
Upholstery Cleaners	$ 6.2	9.7%
Fabric Bleach/Detergent Boosters	$305.5	8.8%
Rug Cleaners	$ 58.0	7.4%
Window Cleaners	$155.4	4.3%
Laundry Soil/Stain Removers	$139.0	4.1%
Sponges	$ 37.8	4.1%
Bowl Cleaners	$208.9	3.8%
Starches	$ 95.5	3.5%
Metal Polishes	$ 30.8	3.5%
Drain Cleaners	$ 99.3	2.8%
Heavy Duty Detergents	$330.1	2.7%
Dishwasher Detergents	$444.1	2.5%
Air Fresheners	$353.3	2.3%

*Retail Food store sales only

Source: Sami Dry Grocery Non-Food Category Trends

Some soft drink buyers for nonfood chains say their sales are up between 10% and 25% this year.

Soft Drink Sales Surge in Nonfood Stores

Emphasis is on promotions that feature sweepstake prizes and special consumer values. Retailers say they get better margins, plus opportunities for higher margin tie-in sales.

Soft drinks is one of the few multi-billion dollar categories that buyers say is still growing at a strong annual rate.

According to the trade magazine Beverage Industry, soft drink unit sales are up 5.5% over last year. However, many nonfood chain buyers say their soft drink sales are up two to three times the industry average.

The overall growth is partly due to increased per capita consumption of soft drinks, but it's also attributable to the fact that many nonfood chains are giving the category expanded space in their stores while some are also trying to give it better merchandising exposure. Most nonfood chains are also promoting soft drinks more frequently.

A source for K mart, which has a permanent soft drink department in about 25% of its stores, says soft drinks turn "incredibly fast." He said most stores can turn soft drinks once a week, even when the line is merchandised "off the main rectangular aisle and in one of our corners near the wall."

"It seems to be one of those things that the more people buy, the more they use," he said. "If we have a special feature price on a major brand, they stock up. Then they come right back in a week or so and stock up again."

For years soft drinks has been a sort of step child in the nonfood industry, tolerated by many chains because of its strengths as a traffic builder but looked down on as an imperfect category because its margins were comparatively low,

Soft Drink Consumption Sale Trends
(measured by cases:
24 8 oz cans to a case)

	1987	1986	% chng
Cases in billions	7.1	6.8	5.5%

Source: Beverage Industry Magazine

even everyday.

However, now some chains are moving away from what one source described as a "margin mentality" and looking more at the dollar potential of individual categories.

"On promotion, we might go out at a 5% margin," said the beverage buyer for a southwest-based drug chain, "and when we do that, we're looking at a category with tremendous volume potential. We won't make a lot of money on it, but we'll generate penny profits and we'll get the traffic.

"Everyday, I'll make about a 20% margin, but it will keep turning for me. It's a good cash flow category. I don't have to wait two months to sell a piece."

Most chains say their best sellers are the leading brands, Coke, Pepsi, 7-Up and Dr. Pepper.

The best selling sizes are 2 liters, 6-packs and 12-packs.

Buyers say that two of the hottest new products introduced in the past year are Cherry 7-Up and Pepsi's Diet Mountain Dew.

However, although new products are important, the new launches are not as important for the nonfood chains as the established brands.

Non food chains are stressing value rather than price in their latest soft drink feature ads

One source said that one of the reasons there is more growth in this category now is because the nonfood chains, particularly the mass merchandisers, have started to play down price as their promotional focus.

Instead they are working with the soft drink vendors to develop customized promotions as well as promotions built around sweepstakes or tie-in sales with higher margin categories.

Coke, for example, did a Summer Sweepstakes promotion with K mart last year, that was, in K mart's words "a big success," and they are doing a second similar program this year called a Summer Sailaway Sweepstakes.

K mart featured the sweepstakes in this year's spring rotos. In a two-page spread of grocery items, the Coke feature was the only one that didn't mention price.

Soft Drink Share Tonnage Sales Trends
(by soft drink category segment)

Segment	1986	1987
Colas	68.8%	69.1%
Lemon Lime	11.3	10.6
Pepper	4.6	4.8
Juice added soft drinks	4.9	4.5
Root beer	2.6	3.0
Orange	2.4	2.2
Other	5.4	5.8

Source: Beverage Industry Magazine

Instead it invited shoppers to "Come in and enter" the K mart/Coke sweepstakes. Consumers had a shot at winning one of 100 cruises for two to the Bahamas aboard a Carnival Cruise ship, plus over $1 million in K mart bonus gift certificates. K mart and Coke designed the contest so that there would be over 180,000 prize winners.

Sweepstake promotions are easier on the retailer

Besides making it possible for K mart to set a higher margin because the ad doesn't stress price, this kind of feature program also makes it easier for the individual stores in different regions of the country to promote soft drinks.

It makes it possible for each store to work with the individual bottlers to promote that bottler's best selling size or pack for their separate markets.

"It eliminates all the hassles of trying to deal with hundreds of bottlers at once," says a K mart source, "plus we're not locked into any particular package. If we can get a better price on two liters in the northeast, then we'll feature that in displays in the northeast stores. If our best price in the midwest is on the six-packs, then that's what the mid-west stores will display."

Beverage Consumption Patterns

Category	8 oz drinks per person annually
Soft drinks	674
Water	659
Coffee	406
Beer	382
Milk	325
Juice	111
Powdered soft drinks	98
Bottled water	91

Source: Beverage manufacturers

Pepsi creates value with E.T. rebate promotion

Pepsi is also offering new promotions built around sweepstakes and special values. Later this fall and in early winter, Pepsi will launch a promotion built around a tie-in with the distributors of the soon to be released video of E.T.

Mass merchandise stores are now a major source of video purchases, and many drug chains have video centers as well. The Pepsi promotion will let a chain advertise Pepsi by stressing, not price, but the availability of a special $5 rebate that Pepsi is offering on the E.T. video purchase.

The event will break just in time for the holidays, and it will give consumers a chance to buy a $24.95 copy of E.T. for $19.95. Retailers who feature the promotion should be able to get a video sales, plus a soft drink sale.

Wal-Mart will test new locations for soft drinks

"Soft drinks are not just a food store item anymore," said a Wal-Mart manager. "We've sold them for years, but we don't think we're fully utilizing the category. There are other things we can do to make this category more profitable and we're going to do it."

Several sources also say that Wal-Mart is about to test new ways of merchandising soft drinks. Right now the chain primarily stocks soft drinks in its "wall of values" right beyond its cash registers.

Later this year, sources say that Wal-Mart will begin testing soft drinks in the snack category which is right across from its registers.

K mart is also testing various configurations and locations for soft drinks.

The attitude among buyers is that the category is great for growth, but that profits could be even higher with some merchandising and promotional refinements.

Healthy Fun Drinks Sell Well for Nonfood Stores

Soft drink sales are growing in nonfood stores, and so are sales of bottled waters, juices and juice enhanced bottled waters.

Photo by Ray Garland

Americans today are spending more time outdoors, and they're drinking more juices & bottled water.

Beverage sales in nonfood chains are growing at what buyers say is a steady 10% to 15% rate a year.

Soft drinks, which are used by about 95% of all households in America, are up significantly, buyers say, but they are also reporting dramatic growth in bottled water sales, juice sales and the sales of juice enhanced sparkling bottled waters. Asceptic packs of juices are also doing well throughout the country.

Tea is also selling well in many nonfood chains, and buyers say it seems to have become a year round rather than just a seasonal item. Several buyers said coffee is a good item to promote "when you can get the right price," but they add that it is more of a seasonal item and also a harder category to compete with because food chains price it so aggressively.

Juice & bottled water drinks are hot

Buyers tell Fm that soft drink sales are strong even when they are not being advertised, but buyers also say that one of their hottest new categories right now are healthy drinks: bottled waters, juices, and juice enhanced sparkling bottled waters.

In the last year, chains like Wal-Mart, K mart, Target, Venture, Longs, Walgreen's, K & B, Eckerd, Thrifty, Osco and the Sav On division of Osco, have all done promotions highlighting juices and juice enhanced drinks like Ocean Spray, Welch's, Dole, Motts, Seneca, Treetop, Sundance or Calistoga.

Many of these chains are also generating, what some buyers call "fantastic growth," from the bottled water segment, both with spring water brands like Poland Springs in the northeast and Oasis in Texas and with carbonated brands like plain Perrier and Perrier enhanced with essence of fruit like lime and lemon.

A number of nonfood chains now have bottled water sections in their regular beverage departments, and several are expanding these departments to include new types of drinks like Perrier's Calistoga Sparkling Juice and Stroh's Sundance Sparkling Juice, both of which were launched less than two years ago.

Both Sundance and Calistoga are appealing drinks by themselves, plus they make excellent substitute for alcoholic beverages, particularly the sweeter drinks like wine coolers.

Calistoga is still primarily a regional brand, available just on the West Coast, but Perrier has just launched another sparkling water/juice under its Poland Springs brand which is available in the northeast.

Sundance, however, is now in national distribution, and Stroh's is giving the brand strong support both in print and on national TV and radio. A company source says the brand's '88 sales could exceed $100 million, which would be very good for an item that wasn't even around two years ago.

Bottled Water Segment Share Trends

Segment	% share
Non Carbonated	77%
Carbonated	23%

Source: Sami Drug Grocery Food Category Trends

New additions to the beverage mix

So far, Wal-Mart has become the first major discount chain to stock Sundance on a permanent everyday basis. Management is also putting Sundance into its Sam's Wholesale Club stores in a special shrink wrapped four-pack case.

Longs on the West Coast now features Calistoga in many of its stores everyday as well as Perrier everyday. Some Eckerd stores in Texas have Calistoga as well as Perrier everyday, and Perrier is in everyday distribution in Peoples and Dart drug as well as in some Chicago and Florida Walgreen's.

The Price Club in San Diego, Calif., also stocks shrink-wrapped four-pack cases of both Calistoga and Sundance everyday, and so does Price Savers in Cincinnati. Sam's Wholesale Club also carries both brands, and there is a chance that Perrier may soon show up in Wal-Mart on an everyday basis. Discussions are underway.

Target and Venture are both promoting Sundance about three times a year and so is Longs Drug, Thrifty and Sav-on, all in California. Drug Emporium, a deep discount drug chain headquartered in Worthington, Ohio, is testing it for everyday distribution in several markets.

This spring, Venture promoted the Sundance four-pack at two for $4. Food stores generally retail the four-pack at between a $2.69 and $2.99 everyday price.

One source said Venture's opening order of about 3,000 cases sold through in a single week-end because of the price. "It was a great price," he said, "and the promotion worked fine as a traffic builder, but the stores made money on it too. We took between a 5% and 10% margin."

The food chains on the West Coast, where the brand and the category originated, give the category an average of about 30 linear ft. in their everyday bottled water department. On the West Coast, many food chains give bottled water about 60 to 80 linear ft. in their stores.

One buyer told Fm that the category is right for todays market. "Everyone is thinking healthy right now," he says, "and everyone is dieting. Many people choose to only drink juice or bottled water when they go on diets, and many others use the juice enhanced drinks as thirst quenchers after they exercise or exert themselves physically in some way.

"They're no longer just a West Coast item. They seem to sell well all over the country with maybe a few exceptions like some southern regions and some of the more conservative cities like Detroit."

The source said that if he did decide to stock the juice enhanced sparkling water beverages on everyday distribution, he would take about a 30% margin on his retail prices, and he'd promote it "probably twice in the spring and summer and at Christmas. They're good drinks by themselves or as mixers," he said.

Plain juice drinks are also doing

Nonfood chains are expanding their beverage mix to include more juice and juice related products. Buyers say healthy drinks are "hot."

Bottled Water Retail Sales Trends
(through food stores only)

All Bottled waters	1982	1986	1987	% chng '87 vs '86
	(millions of dollars)			
	$137.7	$281.5	$355.7	26%

Source: Sami Dry Grocery Food Category Trends well in nonfood stores, buyers and brokers say. In Berlin, N.J., Art Silver, president of Silver Marketing says that Welch's grape juice drinks are doing exceptionally well. Most of the major nonfood chains promote juice drinks today including Drug Emporium, Rite Aid, K mart, Peoples, Wal-Mart, Target and Venture.

"Generally, when the nonfood chains promote juice drinks," says Silver, "they charge 20% to 30% less than the food chains. They also make money on it because generally they're buying on deal."

Juice Retail Sales Trends

(through food stores only)

Segment	1982 (millions of dollars)	1986	1987	% chng '87 vs '86
*Juice Drink Concentrates	$ 15.7	$ 33.4	$ 40.2	20%
**Single Strength Juices	$ 831.5	$1.369.2	$1.549.0	13%
**Canned & Bottled Juices	$1.684.5	$1.823.6	$1.863.4	2%

*All juices that need water added;
**Juices like Ocean Spray, Gatorade, Hi C
**All fruit juices & nectars

Source: Sami Dry Grocery Food Category Trends

Rite Aid scores with juice close out buy

Last April, Rite Aid was particularly successful with a multiple promotion of juice drinks. The chain bought a close out on the 8-oz. Welch's juices and advertised them three for 99 cents. Sources said the promotion was a big success, particularly selling well to young mothers and young adults.

Nonfood chains are also promoting more juice drinks at Thanksgiving and Christmas. Sparkling enhanced juice beverages like Sundance and Welch's sparkling grape juices get a lot of feature activity at Christmas. Several buyers say they will also promote Welch's new sparkling apple cider later this year.

Peoples ties in to Gatorade's fsi's

This year and last year, buyers say that Gatorade was so successful on promotion that the word "awesome" is the best way to describe it.

Peoples Drug has had so much success with Gatorade that they are occasionally tieing in with Gatorade's full supplement inserts (fsi's).

Last spring, People's ran an ad on Gatorade the same weekend the supplement came out. Because the supplement featured a 30 cents off coupon, the People's ad mentioned its own low sale price, then the copy added "plus added 30 savings" and suggested that consumers look in their Sunday Washington Post for more special savings.

People's can only do this in its Washington market, however, because this is the only market where People's can reach about 90% of its customers by advertising in one newspaper.

Rite Aid has also been very successful with Gatorade.

Sources for the Pennsylvania-based chain said they were ordering "huge" quantities of Gatorade for spring and summer '88. One source said Rite Aid will keep the large size Gatorade on an end for most of the summer months, plus, he said, they will put their single serve sizes in their coolers. He also said Rite Aid will be putting Welch's grape drinks into their coolers.

Cooler programs add to chain profits

Many chains are expanding their cooler programs into more of their stores. Rite Aid, for example, has coolers in about 1200 of their 2100 stores and is currently rolling them out to nearly all stores.

One source said the coolers generated considerable impulse sales and bring new traffic into his stores. He says he usually makes between 40% and 50% on every beverage he stocks in his cooler. Other drug chains with coolers are Walgreen's, K & B, Revco, Eckerd, and Peoples.

Buyers say that asceptic packs are also hot. Mothers especially seem to like them for their convenience. Just about every major nonfood chain has promoted asceptic packs recently including Walgreen's, K mart and Wal-Mart.

Longs has a permanent home for asceptic packs

Out on the West Coast, some Longs stores are creating permanent homes for asceptics. These stores generally take two or three six foot rows above the soft drinks and stock the asceptics there.

Generally, Longs only buys what is on promotion so managers tell Fm that margins on the asceptics are excellent, in excess of 20%.

"We price competitive to the food stores," says one manager. "But we don't give it away and because of the convenience, we get excellent turns."

Managers say they have advertised most of the most popular asceptic brands including the packs from Ocean Spray, Hi-C, Kool Aid Koolers and General Food's new asceptic pack for Tang.

Longs also recently did a major multiple promotion featuring Lipton products including their 100 count teabags.

One source said this was the first time Longs has done a chainwide promotion featuring multiple brands from a grocery manufacturer. However the source said Longs had tested the idea in several districts last year and that it worked so well, they decided to okay the chainwide promotion.

The promotion, which broke in two newspaper ads in May, featured a total of 34 items including the 100 count teabags, 12 flavors of the Sunkist Fun Fruits and 21 flavors of Lipton's side dishes: Noodles and Sauce, Rice and Sauce, Potatoes and Sauce and Pasta and Sauce.

The chain bought 20,000 cases and one source estimated that it took about a month to sell through.

"When consumers see a family of brand name products at a good price, then tend to stock up," said one manager. "That means we get a higher ticket sale and a pretty fast sell through."

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New ideas mark greeting cards
— Trends, page 15

Marketing driven by segmentation
— SAMI/Burke, page 21

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DRUG STORE NEWS®

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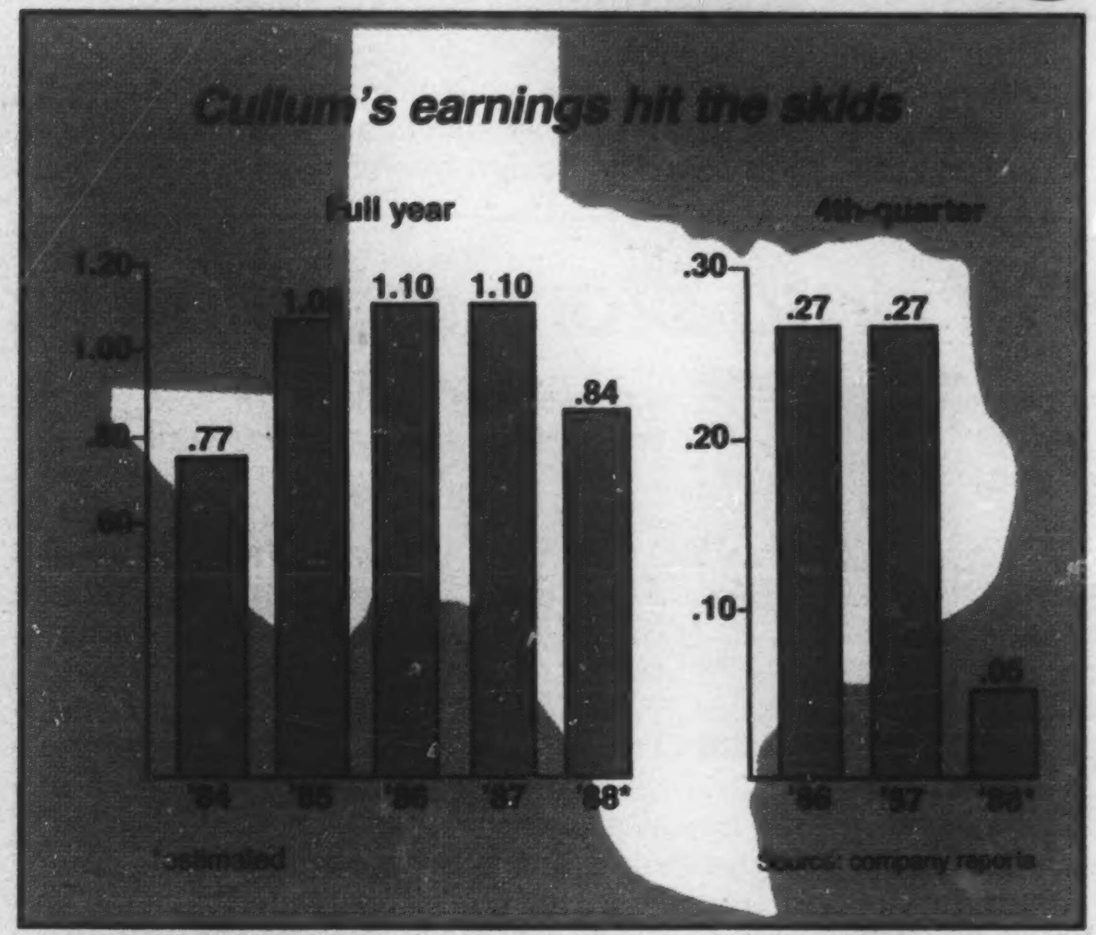
Cullum mulling an LBO with third party



*estimated
Source: company reports

Earnings slide weakens stock price

By David Vaczek

DALLAS — The Cullum Companies, its earnings squeezed by experiments with new formats and by competitors' discounting, said it is exploring a leveraged buyout.

"They might be hearing footsteps" of a corporate raider, said one retail analyst, after the owner of the Tom Thumb/Page combo stores and Page Drug chain said it is in preliminary talks with an unnamed party. Analysts speculated the partner would presumably help fund a buyout with management participation.

Cullum announced the talks at the same time it released a preliminary fourth-quarter earnings report characterized by one analyst as "extremely disappointing."

A preliminary fourth-quarter earnings report was characterized by one analyst as 'extremely disappointing.'

Cullum said it expects final-quarter earnings of 5 cents a share, compared with 27 cents in the comparable 1987 period. That would bring 1988 year-end earnings to 84 cents a share, compared with $1.10 in 1987.

The quarter adds momentum to an earnings slide that has depressed Cullum's stock price, and made it vulnerable to a hostile buyer. A management LBO would be one way to avoid the clutches of an unwanted suitor. Several food-drug chains, including Safeway and Supermarkets General, have taken that route recently.

In late June Cullum's per share price had settled at $16, from a 52-week high of $23.

One effect the announce-

See **Cullum,** *page 53*

HSI financing Brooks buy with $80M in new debt

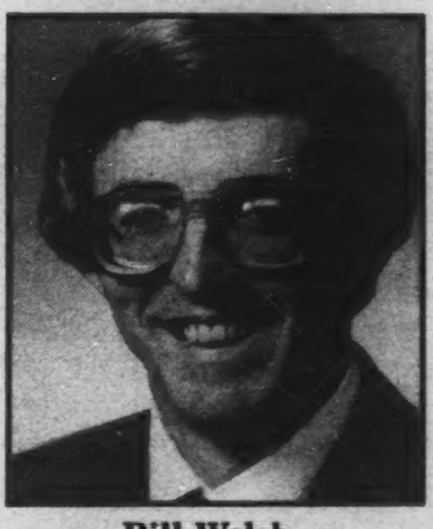
By James Frederick

CINCINNATI — Hook-SupeRx Inc. has issued another $80 million in high-risk, high-yield bonds to finance its recently completed purchase of Brooks Drug.

The new bond issue, which was offered publicly June 15, followed close on the heels of HSI's first public offering of subordinated debentures in May. The first offering, worth $125 million, was part of HSI's original debt package to finance the leveraged buyout of

See **HSI,** *page 54*

Welsh leaves NACDS for Brooks


Bill Welsh
vp-administration

PAWTUCKET, R. I. — William Z. Welsh, who resigned as executive director of NACDS, has taken a new job as vp-administration for Brooks Drug.

Welsh, a 15-year association veteran, was expected to join the 360-store chain at the end of this month.

The appointment comes at a time when Brooks will be charting its course under a new parent company, Hook-SupeRx Inc.

Hook-SuperRx and Brooks Drugs at a glance

Headquarters:
Hook division: Indianapolis
SupeRx division: Cincinnati, Ohio
Brooks division: Pawtucket, R. I.
HSI chairman: **Philip Beekman**
Divisional heads:
Hook: **Newell Hall**
SupeRx: **Gary Hendron**
Brooks: **Gayl Doster**
Sales:
HSI: **$1.1 billion***
Brooks: **$395.7 million in 1987**
Net earnings:
HSI: **$11 million***
Brooks: **$3.5 million loss in 1987**

Store count:
Hook: **343 drug stores, 30 home health care centers, one photo plant**
SupeRx: **330 drug stores, 12 deep discount stores**
Brooks: **361 drug and H&BA stores**
Average store size:
Hook: **7,500 square feet**
SupeRx: **10,000 square feet**
Brooks: **7,000-10,000 square feet**
Operating regions:
Hook: **Indiana, Illinois**
SupeRx: **Midwest, Mid-Atlantic, South**
Brooks: **New England, New York, Pennsylvania, New Jersey**

*Drug Store News estimate for most recent 12-month period
Source: company reports

LATE NEWS

- CLEVELAND — Carls Food and Drug Centers, a local chain of seven combo stores, will nearly double in size with the recent purchase of the 34-store Fazio's supermarket chain by Riser Foods, Carls' parent firm. The purchase, finalized in June, will boost Carls' store total to 12 following conversion of the Fazio's combo stores to the Carls format this summer, a spokesman said. The remainder of the Fazio's units will be combined with Riser's Stop & Shop supermarket division and converted to the Stop & Shop format and logo by October, making Riser the leading food retailer in Cleveland.
- PONTIAC, Mich. — Perry Drug Stores merchandising and marketing veteran Dave Peterson has left the company to pursue other business interests, according to a spokesman. Peterson, 51, was replaced July 5 as group vp-marketing by former vp-merchandising David Green, 33, who came to Perry from Albertson's in March.

Super Valu launching two hypermarts in Cleveland

CLEVELAND — Super Valu Stores has joined the ranks of retailers who believe bigger is better.

The Minneapolis-based food wholesaler and retailer will launch two 180,000-square-foot hypermarkets here. The stores, called "Twin Valu," will include pharmacies backed by the health care marketing expertise that Super Valu has honed in its food and discount store formats.

The pharmacies will be run by Shopko, Super Valu's 87-store discount store chain. Shopko was a pharmacy pioneer among mass merchandisers in the early 1970s. Eighty-four

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Pay 'n Save packs up its troubles, tries Thrifty Corp.

By Pamela Krein

SEATTLE — After operating under heavy debt and struggling to refind its niche in the marketplace, Pay 'n Save can finally leave its heavy burdens behind.

On June 29, the Seattle-based chain officially joined the Thrifty Corp. family—a move destined to bring changes to both the Pay 'n Save stores and its predominantly Pacific Northwest market.

Thrifty initially announced its intention in mid-May to purchase the 110-store Pay 'n Save chain for 5.2 million shares of stock in Pacific Enterprises,

See **Pay 'n Save,** *page 53*

NEWS IN BRIEF

Fay's sells N. Y. & Mass stores

LIVERPOOL, N. Y. — Fay's Drug has pulled out of Connecticut and Massachusetts, selling nine stores to CVS and shuttering the remaining five in those states.

"We weren't getting an adequate return on our investment," said Warren Wolfson, vp-general counsel and secretary.

Included in the nine were the eight stores Fay's purchased in 1985 from Genovese Drug in the Hartford, Conn., and Springfield, Mass. markets.

Six of the stores CVS is buying are in the Hartford area, with the rest in western Massachusetts.

Arbor slots Enokian, Tempalski

Enokian

Tempalski

TROY, Mich. — Arbor Drugs has named John Enokian director of health services and Leonard Tempalski director of pharmacy and store operations. The announcements were made by Markus Ernst, executive vp and chief operations officer.

As director of health services, Enokian will be responsible for negotiating and managing third-party health insurance contractual agreements. He will also serve as a liaison between the chain and various health care institutions. Previously he was Arbor's director of pharmacy operations.

Tempalski, an Arbor district manager before his promotion, will oversee day-to-day pharmacy and store operations for Arbor's 78 drug stores in southeastern Michigan.

American Stores units targeted for sale

DUBLIN, Calif. — Acting quickly to satisfy Federal Trade Commission requirements arising from the merger of Lucky Stores with Alpha Beta Co., American Stores has reached an agreement to sell 15 Lucky and Alpha Beta stores in California to Certified Grocers of Los Angeles. No purchase price was disclosed.

The FTC stipulated that a total of 37 Lucky and Alpha Beta units must be sold to satisfy antitrust regulations in California, including 24 in the northern half of the state. Those sold to Certified include three stores in San Jose and individual units in Hayward, Union City, Novato and other markets in northern and southern California. The remaining units to be sold include five more stores in San Jose, and others in scattered markets throughout the state.

"Many of these stores are smaller units, in the 20,000- to 25,000-square-foot range," said Lucky spokesperson Judy Decker. Because of their small size, she said, most do not contain pharmacies.

McK leaders get lowdown at conference

SAN FRANCISCO — At McKesson's third annual National Management Conference held recently in Tucson, corporate leaders, including Thomas W. Field, McKesson Corp. president and ceo, and executive vp-operations Rex Malson gave more than 230 McKesson personnel and 310 representatives of manufacturers a detailed picture of McKesson Drug Co.'s achievements during the past year.

Joe Polastri, McKesson Drug president, cited fiscal '88 sales of almost $5.2 billion and operating profits of $119 million for the Drug and Health Care unit, and said the total customer base had increased to 24,000 with the absorption of the Spectro Industries, S-P Drug and 3PM acquisitions.

He added that McKesson's Valu-Rite voluntary now includes 2,800 stores, and pointed out that although independents' share of drug store volume has shrunk from 55 percent to 40 percent over the past decade, "progressive independents, armed with the resources of McKesson and our commitment to their satisfaction and success, will definitely survive."

At Bill's, slant on checklane endcaps 'dramatically' increases goods moved

Bill's new custom-built, slanted check-lane ends.

LAFAYETTE, Calif. — The last seen and often most crucial area of a drug store—the checkstand—is getting a new approach at Bill's Drugs.

Recently introduced, the chain's new custom-built, slanted checklane ends are designed so customers can have better access to the registers and impulse merchandise.

The previous arrangement—traditional T-shaped fixtures—have now been replaced by wedge-shaped endstands featuring 32 feet of peg wall and no end cap, vp-merchandising Gene Bass told *Drug Store News*.

The result, he said: better product variety and easier maintenance.

Currently, the majority of the checkstand merchandise is chosen independently by each store manager at Bill's. However, Bass does give some guidance by providing a list of top selling items, and he said a more formalized planogram will be rolled out in coming months.

According to Ron Bornstein, Bill's Concord, Calif., store manager, leading checkstand merchandise at his location includes film, razor blades, batteries, lip balm and small toys. The manager said he also tries to include a selection of Bill's private label items, and he keeps each peg area unique. However, Bornstein said the overall theme is to stock high-impulse and good gross profit-producing merchandise.

Since changing to the new design this spring, the manager said "there has been a dramatic increase in the amount of merchandise moved." Bass agreed this was a chainwide phenomenon, joking that the only complaint by the store managers had been that the endstands are hard to keep full.

Presently the setup is in five of the chain's 25 stores, and Bass expects a few additional sites will have the design by year-end.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

NEW YORK, 1928 — A large drug unit in downtown New York arranged a window display on a recent occasion that brought home to customers the high standard of its prescription policies.

The floor of the medium sized window was carried out in neat black and white checks, and a white curtain formed a background for the display, producing an atmosphere that suggested things medical. A large framed placard, oblong in shape, was placed in the center of the window. It announced—"Prescription Pharmacists. Our Prescription Policy: No guesswork. No Substitution. Strict Adherence To Doctors' Instructions. Expert Registered Pharmacists. Prompt and Courteous Service. The Safe Drug Stores."

50 years ago

POTTSTOWN, Pa., 1938 — Four thousand pounds of jelly beans were sold at the Peoples drug store, 237 High St., Pottstown, Pa., as a result of a window display advertising them at 9¢ a per pound. The bottom of the window, to a depth of over two feet, was filled with jelly beans. A large egg cut out of cardboard was then placed at the back of the window. On it was a head of a rabbit.

40 years ago

LOS ANGELES, Calif., 1948 — Photograph post cards are serving a double purpose at Owl Drug store, Beverly and La Ciena, Los Angeles. They not only publicize the store and the company's new headquarters building but they bring profit in themselves. Some 5,000 of the cards were sold, at 5 cents each, in four weeks' time.

30 years ago

INDIANAPOLIS, Ind., 1958 — When the U.S. grand jury brought in its indictment against the manufacturers of Salk polio vaccine, A. F. "Bud" Hook, president of Hook Drugs, Indianapolis, sent a letter to all employees outlining the facts in the case so they could speak up intelligently if unjust criticism was brought against the manufacturers. Mr. Hook concluded his letter with this thought: "I hope that we can all play a part in getting more public understanding of their good work that is being done by the thousands of people who work to make medicines available to millions."

20 years ago

DETROIT, Mich., 1968 — Construction is under way for a new Cunningham store which will replace the one the chain lost in last summer's Detroit riot. The 4,300-square-foot store is being erected on the site of the old store, and is the first major building program initiated by a retail group in that area since last July's outbreak. The location is Forrest amd Trumbull Avenues and construction is expected to be completed early next spring.

10 years ago

SYRACUSE, N.Y., 1978 — Fay's Drug recently made its initial move into the optics field, opening a 350 sq. ft. unit within one of its hometown Syracuse, N. Y. stores.

Stocked with some 600 to 700 frames (including different colors), the optical center features more than 15 designer lines as well as low-priced single vision and bifocal packages. Lab work is being handled by an outside firm.

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SPECIAL SAMI/BURKE REPORT

Within markets, consumer purchase rates vary

Product Tracking

Alan Miller

During the past 22 years, SAMI has been focusing attention on market-to-market buying patterns in food stores, and more recently in drug stores. Manufacturers and retailers of health and beauty aid and other consumer products now realize that marketing plans must take into account major differences in sales potential from one market to another.

Umbrella advertising and sales promotion strategy has become a thing of the past, and segmentation, which takes into consideration consumer preferences and spending patterns in different areas, has made marketing far more effective and efficient.

To illustrate the differences in consumer spending patterns by category and outlet, we have selected seven H&BA categories and have ranked the five SAMI markets with the highest 12-week index per household sales in each outlet.

Segmentation, which considers consumer preferences and spending patterns, has made marketing far more effective.

It is apparent that even in the same markets and same categories there are variations in consumer purchase rates between food and drug stores. The differences reflect in part the dominance in those H&BA markets by either drug or food stores. In category after category, for example, the Boston/Providence area and neighboring Hartford/New Haven/Springfield are dominant drug store markets. The same is true for Miami, Cleveland, Los Angeles/San Diego, Seattle/Tacoma and Albany.

In contrast, food stores have achieved dominance in many H&BA categories in such markets as Salt Lake City, Grand Rapids, San Antonio/Corpus Christi, Dallas/Ft. Worth, Seattle/Tacoma and Pittsburgh.

Looking at cough remedies, it is clear that the market with the highest per household sales rate in food stores during the 12-week span ending April 22, 1988 was Salt Lake City/Boise. The index of 187 means that the average household purchase rate in this market was 87 percent higher than the average in all cities combined.

The market with the lowest sales rate in this category through food stores was Norfolk/Richmond, with an index of only 49 or a rate just less than half the national level. Incidentally, the index in drug stores in Norfolk/Richmond was a mere 19. These low performance figures can probably best be explained by the high rate of sales in military post exchange outlets in this Navy market.

Boston/Providence is the best market for drug stores in all seven selected product categories. In four of these categories—cough remedies, toothpaste and powder, internal analgesics and eye care products—the Boston per household sales rate is more than double the national level in drug stores.

The best market for hair coloring in the two major outlets combined is Los Angeles/San Diego. This market ranks fourth in the sales per household rate in food stores and fifth in drug stores. It is the only market which ranks in the top five in both food and drug stores in the hair coloring category.

SAMI markets with highest household sales indexes

(12 weeks ended April 22, 1988)

Food stores		Drug stores		Food & drug combined	
Market	**PHI***	**Market**	**PHI***	**Market**	**PHI***
Eye Care Products					
Denver	275	Boston/Providence	216	Boston/Providence	183
Salt Lake City	253	Hartford	207	Hartford	177
Dallas/Ft. Worth	236	Seattle	143	Denver	159
Grand Rapids	222	Miami	141	Seattle	150
Houston	193	Albany	138	LA/San Diego	141
Synthetic vitamins					
Salt Lake City	188	Boston/Providence	187	Boston/Providence	158
Denver	188	Hartford	162	Hartford	156
Grand Rapids	186	Miami	155	LA/San Diego	144
Seattle	185	LA/San Diego	152	Seattle	140
Dallas/Ft. Worth	160	Cleveland	143	Dallas/Ft. Worth	129
Laxatives & stool softeners					
Dallas/Ft. Worth	182	Boston/Providence	174	Seattle	148
Pittsburgh	180	Miami	165	Miami	141
Salt Lake City	170	Spokane	160	Boston/Providence	137
Memphis/Little Rock	169	Seattle	150	Spokane	137
San Antonio	160	Hartford	149	Charlotte	132
Cough remedies					
Salt Lake City	187	Boston/Providence	207	Boston/Providence	142
Grand Rapids	168	Miami	172	Seattle	137
Seattle	163	Hartford	172	Hartford	134
Pittsburgh	154	Raleigh	141	Miami	130
Dallas/Ft. Worth	147	Cleveland	134	Salt Lake City	125
Hair coloring					
San Antonio	275	Boston/Providence	175	LA/San Diego	164
Grand Rapids	254	Miami	164	Miami	147
Salt Lake City	206	Hartford	164	Boston/Providence	144
LA/San Diego	201	Phoenix	161	Hartford	144
Dallas/Ft. Worth	200	LA/San Diego	149	Phoenix	131
Toothpaste & powder					
Boston/Providence	190	Boston/Providence	267	Boston/Providence	209
Pittsburgh	162	Hartford	197	Hartford	161
Grand Rapids	150	Albany	162	Pittsburgh	143
Hartford	149	Miami	143	Seattle	137
Seattle	144	Cleveland	142	Grand Rapids	125
Internal analgesics					
Pittsburgh	170	Boston/Providence	203	Boston/Providence	164
Salt Lake City	156	Hartford	161	Pittsburgh	141
Grand Rapids	149	Miami	154	Hartford	139
Seattle	142	Cleveland	148	Seattle	127
Dallas/Ft. Worth	142	Raleigh	145	Dallas/Ft. Worth	125

*PHI = Per Household Index
Sales per household in all 54 SAMI markets combined = 100

Source: SAMI/Burke

The poorest markets for hair coloring are Greenville/Spartanburg/Asheville in the case of food stores (index of 17) and Oklahoma City/Tulsa for drug stores (with an index of only 26).

Boston/Providence ranks as the leading market in both food and drug store sales of toothpaste and powder, and as a result is the best market by a considerable margin in both outlets combined. Hartford/New Haven/Springfield is also a strong area in both food and drug outlets. In this category, Shreveport/Jackson is the poorest market in food stores with an index of only 42, and this same market ranks third from the bottom in the drug store listing.

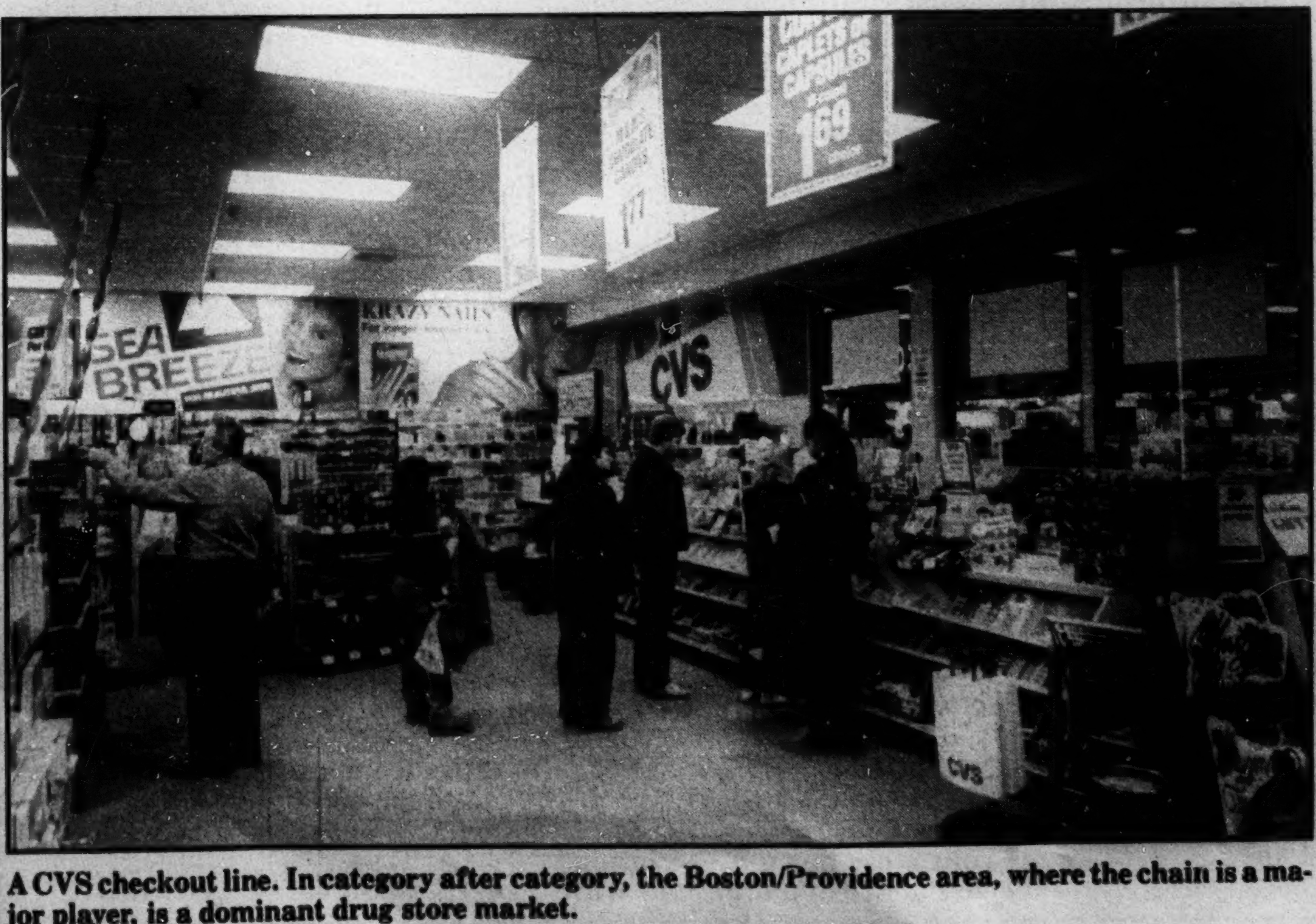
Pittsburgh is the best market for internal analgesic sales in food stores, but with an index of only 97 in drug store sales, the market ranks 29th out of 54 SAMI/Burke markets. The drug store strength among internal analagesics helps put Boston/Porvidence at the top of the list in the combined outlet ranking.

Denver, a hotbed of combo store activity, ranks as the leading market for the per-household sales of eye care products in food stores. The category includes both contact lens items and eye washes and lotions. The drug store index in Denver is only 94.

Although Boston/Providence is the best market in drug stores for synthetic vitamins as a whole, it is a poor market for drug store sales of B-complex vitamins, with an index of just 75, as compared with a rating of 187 for the catgeory as a whole. Spokane is the best drug store market for synthetic vitamin E with an index of 176. These examples suggest that it is often important to look at the performance of sub-segments of categories—product class, product sub-class, brand or even items which can be indexed and ranked in the same manner as the product categories shown.

Finally, Seattle/Tacoma appears as the best market for laxatives and stool softeners in both outlets combined, although the market is not ranked in the top five among food stores.

Alan Miller is consultant to SAMI/Burke, Inc., and former VP of sales service at Selling Areas Marketing, Inc.



A CVS checkout line. In category after category, the Boston/Providence area, where the chain is a major player, is a dominant drug store market.

Supermarkets grab retail pharmacy market share

By David Vaczek

Since moving to New Milford, Conn., six years ago, Donna Hespe has filled her family's medication needs at the corner drug outlet in this suburban town.

That local pharmacy is adjacent to the bakery, and across from the courtesy counter, in the Super Stop & Shop combo store on Main Street.

One recent day, Hespe rolled her shopping cart up to the pharmacy window, dropped off an order for eye drops and amoxicillin for her 12- and 15-year-old daughters, and headed off to shop for food, returning 15 minutes later to collect the filled prescription.

"I just find it exceedingly convenient. It's on the way from the doctor's office, and I'm in the store at least twice a week food shopping anyway," said Hespe.

"And they've always run cheaper than CVS and Brooks," she added.

The only combo in this overstored market, this pharmacy does not survive on competitive pricing alone. It is attractive in other ways too.

Convenient seven-day-a-week hours add to convenience, and a weekly circular advertising campaign, often with dollar-off coupons, underscore everyday sharp prices. Health care screenings and friendly service are offered at the pharmacy, with an emphasis on counseling.

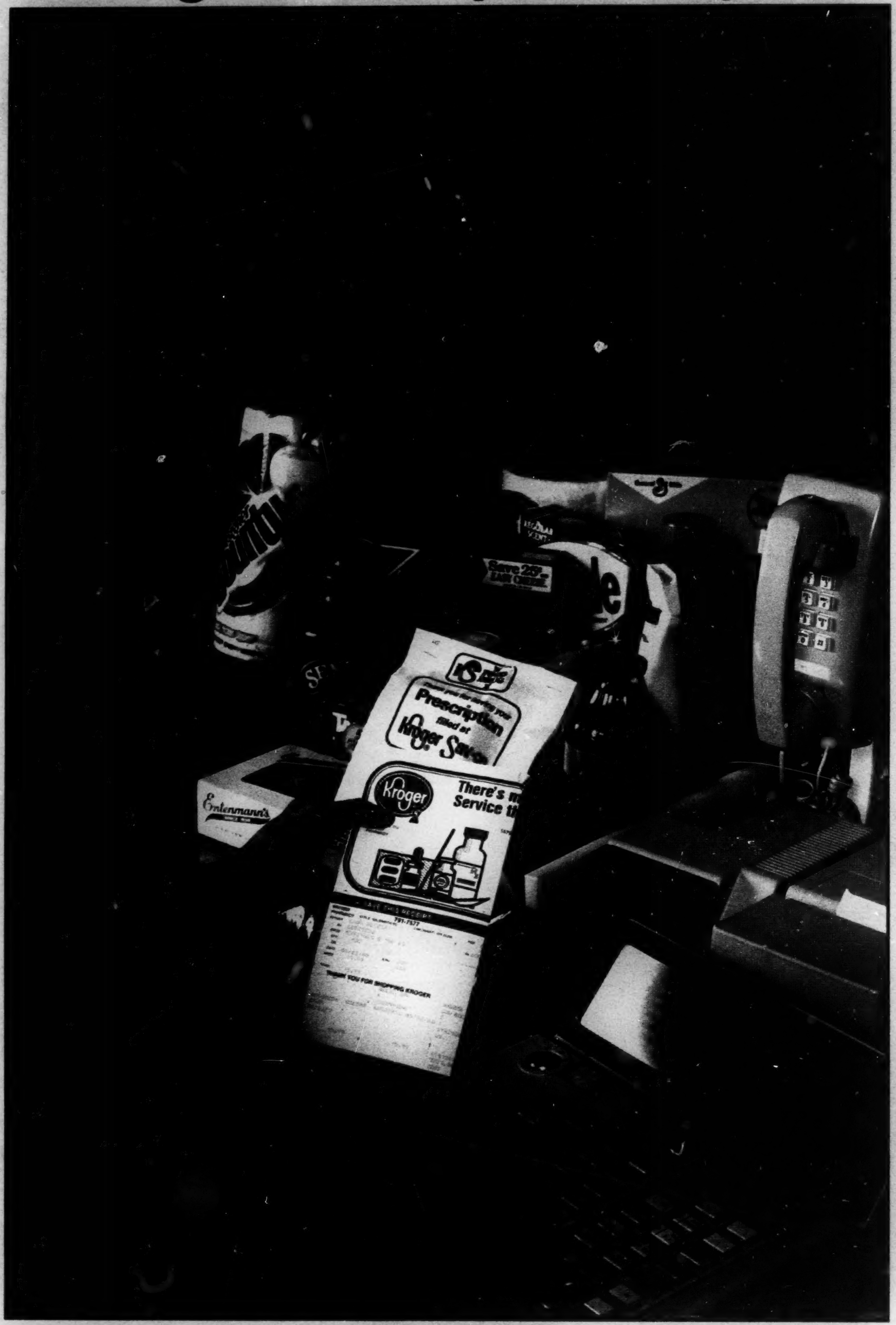
"People here are price sensitive," said pharmacist Cammie Zarella.

"The area is covered with drug stores, and they don't think twice about switching. So you have to be extra good with your service," she said.

"We try to do the things the independents do," Zarella added.

This Stop & Shop pharmacy—which is apparently tuned to local consumer needs—shows a commitment to pharmacy that reflects a growing expertise in drug retailing among supermarket operators overall.

Novel in a food store setting just a few years ago, the pharmacy is now standard in many of the largest food chain prototypes today.



Indeed, it is emerging as more than just another perimeter department. Leading food/pharmacy chains including Kroger, Vons, Giant Foods, and H. E. Butt make pharmacy stand out by marketing it to consumers as part of a total health care program.

Consumer acceptance

The pharmacist, once an unexpected sight in most supermarkets, has become a central prop for the message of healthful and informed living many food chains are sending to customers. The growing success of drug retailing in this environment is tied to an increased acceptance and comfort level with food store pharmacies by consumers.

The Food Marketing Institute's annual Trends survey asked consumers for the first time in 1987 how they compare drug store and supermarket pharmacies. An average of 70 percent said food store pharmacists were as qualified as drug stores, and five percent said they were more qualified.

"This degree of confidence is a remarkable tribute to the supermarket pharmacist," said Dean Werries, president and ceo of Fleming Companies.

"In the early days, the consumer was shocked to find a pharmacy in the supermarket," said Lee Roy Treadway, vp-director of pharmacy, at Dallas-based Tom Thumb/Page, thinking back to the early 1970s when the food and drug sides of Tom Thumb's combos were separated by a wall, with separate entrances and checkouts.

"I think the consumer has come to accept the pharmacy as a normal department in our stores," said Treadway.

"Supermarket pharmacists were&t looked upon as having the same degree of professionalism. But that image is changing," said Safeway's Jim Wickham, divisional manager for variety merchandising and pharmacy. Wickham pins the shift on the food industry's "outstanding job" in hiring good pharmacists.

"It is a mind set problem," according to Ron Miller, director of pharmacy at Publix, the 343-store Florida chain, which has opened 14 pharmacies since unveiling its first in October 1986.

Said Miller: "All our customers are new customers to our pharmacies. They forget we have them. It takes a while to win them, and break through their shopping habits."

Growth expected

The breakthrough with the consumer has already occurred, and growing consumer acceptance is one reason supermarkets are outpacing the industry in prescription sales, industry analysts say.

Unit volume of prescription drugs sold through supermarkets grew 18 percent in the 1988 first quarter, against the 1987 first quarter, according to Towne-Oller & Associates, the auditing firm which began tracking food store drug sales in January 1987.

Prescription price increases helped push supermarket Rx dollar sales up 23 to 25 percent in the first quarter of 1988, com-

Continued on page IP11

Prescription price increases helped push supermarket prescription dollar sales up 23 to 25 percent in the first quarter of 1988.

Ex-NACDSers shape FMI's Rx agenda

The growth of supermarket pharmacies has mobilized the Food Marketing Institute. The trade group is addressing the trend on different fronts.

It recently hired two former NACDS officers—Hal Klawitter and Ty Kelley—to develop programs on pharmacy and represent members with pharmacies in Congress.

Klawitter, vp-pharmacy affairs at NACDS, has joined FMI as director of pharmacy services.

"He will be developing formal programs and services for those FMI members that operate pharmacy departments," said Kelley.

Klawitter's goals will include establishing an ongoing liason with state boards of pharmacy, pharmacy colleges, and such organizations as APhA, NACDS and NARD.

"We're comtemplating developing a formal newsletter or publication geared toward the pharmacies," Kelley said.

As senior government relations representative, Kelley will lobby on health care and pharmaceutical issues in Congress.

FMI sponsored its first seminar on the supermarket pharmacy in Los Angeles last year. Forty persons representing about 30 chains attended, taking up issues such as marketing the pharmacy and the potential of third-party business.

Consumers rank supermarket pharmacists highly

(Response of consumers asked to evaluate supermarket pharmacists' qualifications against those of drug store pharmacists)

Age group	"As qualified"	"More qualified"
18-24	77%	3%
25-39	77	5
40-49	71	6
50-64	65	6
65+	58	4
Total:	70	5

Source: The Food Marketing Institute's 1987 Trends survey.

Supermarkets grab retail pharmacy market share

Continued from page IP8

pared with 1987's first-quarter sales. This is a brisk pace compared to the 8- to 9-percent sales growth rate the total market posted in 1987, said Ken Curin, director of pharmaceutical services at Towne-Oller.

Curin said supermarket pharmacies accounted for $1.9 billion in prescription drugs purchased by retail stores in 1987, which was 12 percent of the $16.5 billion purchased by retail stores nationwide.

The growth pace seems likely to continue if new food store pharmacies open at the rate some observers predict.

The Allen Levis Organization, in a study for McKesson Corp. last May, forecast food store pharmacies will increase 40 percent in number from 1986 to 1988.

Progressive Grocer, a food industry trade magazine, reported less dramatic, if still brisk, growth up to 1987. The number grew 8 percent from 1986 to 1987, when 12 percent of supermarkets, or 3,648, had pharmacies.

That's significantly outpacing drug store unit growth, which has been 2 to 3 percent in recent years. Also, those food stores are generating higher sales than the drug store. The average supermarket buys $550,000 of drugs for retail sale, compared with $320,000 for drug stores, Towne-Oller estimates.

Kroger is leading the charge. The chain—leading all supermarkets with 485 pharmacies—plans to have 525 pharmacies by year's end, and over 600 by year-end 1990, Dick Tillman, Kroger vp-drug and general merchandise, told company shareholders recently.

Chains including Albertsons, American Stores (with its Skaggs Alpha Beta, Buttrey, and Jewel/Osco stores), Giant Food, H. E. Butt, Grand Union and Vons are all using stores with pharmacies in combo or superstore formats to lead their food and drug growth.

The 45-store Star Markets in Massachusetts, a division of American Stores' American Super Stores, is launching its first pharmacy store after the state became the last to drop a law prohibiting food and drug retailing without separate entrances.

"The first Star Market Plus format opens in Cambridge, Mass., in the fall, with the second to follow in Franklin, Mass., this year," said Brian Pijanowski, director of marketing.

"With the growing number of two-income families, and the desire for one-stop-shopping, having the pharmacy in the store is a significant convenience we can offer," Pijanowski said.

Another American Super Stores division, Acme Foods, will also roll out its first pharmacies this year, and hire a pharmacy director, Alan Stewart, president of American Super Stores, confirmed.

A&P's Super Fresh division is yet another food chain preparing its first pharmacy launch, this in Philadelphia, sources said.

With food chains entering the business for the first time, and chains experienced in drug retailing emphasizing pharmacy in their growth plans, front-of-store business at drug chains is threatened as well.

Supermarkets with pharmacies typically have 40-percent larger H&BA selections than those without, and post 20- to 40-percent higher H&BA sales, industry sources have estimated.

Food stores with pharmacies are generating 40 percent of all food stores' H&BA sales, according to Towne-Oller.

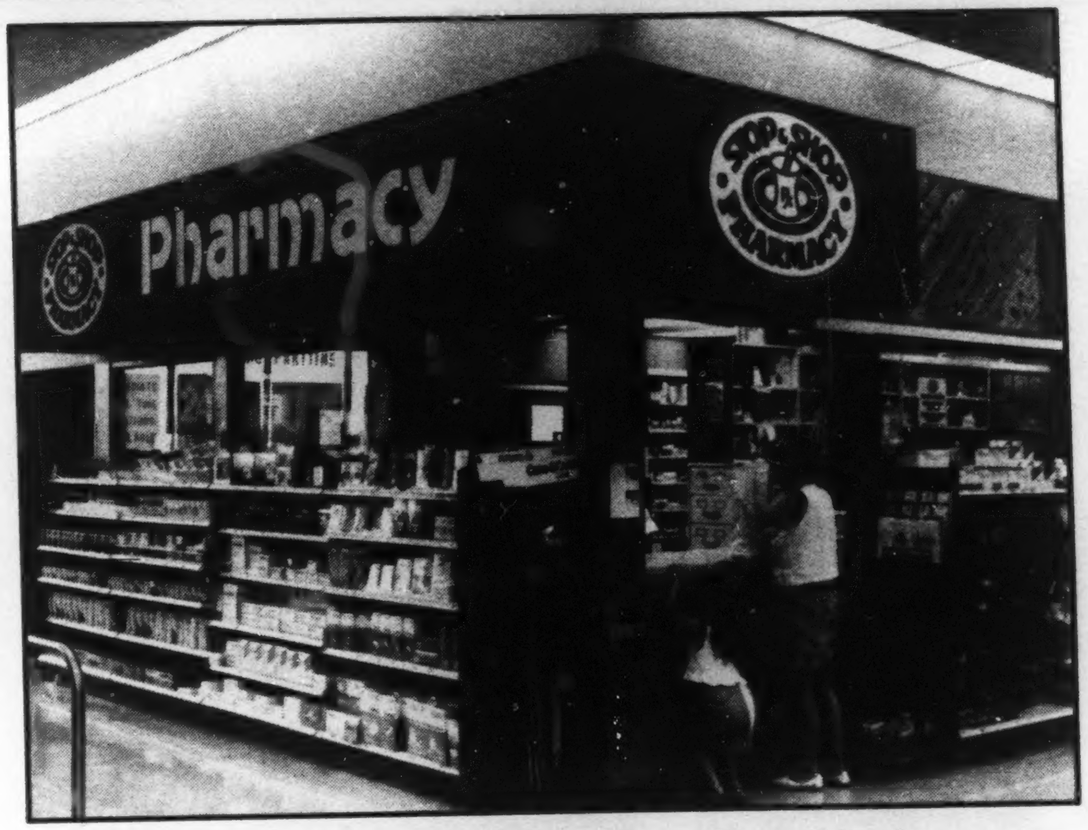
Those kind of statistics show food stores to have outpaced the industry in H&BA sales for the last five years, according to Nielsen Marketing Research.

Food stores posted average annual sales growth on the top 60 H&BA items of 7.8 percent from 1983 to 1987. In comparison, growth in drug stores was 4.8 percent in H&BA. Mass merchandise stores posted 9.2-percent growth, which made the average yearly growth for the three channels combined 6.8 percent during the period, acccording to Bill McNair, Nielsen's manager of communications.

"They're putting in the pharmacies, putting more emphasis on H&BA sections, and the food stores are offering better choices for the consumer," said McNair.

"The big chain drug stores are really doing pretty well compared to the supermarkets, with growth rates as good as or better than the supermarkets. It is the smaller chain pharmacies that are really going down the tubes," McNair said.

Supermarket commitment



Front-of-store, near-checkout location and graphic signage promote Stop & Shop's pharmacy to entering, exiting customers.

Commitment by supermarket chains with drug retailing history goes beyond new store growth. The image-building said to be essential to make the pharmacy work in a food environment is in wide evidence.

"Kroger cares about your health," is the slogan of the food chain's new nutrition education program that "makes a nutritional consultant as well as a health care consultant out of the pharmacist," said Bob Smith, president of Health Awareness Corp., which will operate the program in all Kroger regions by year's end.

Pharmacists trained in nutrition advise consumers on diet and disease risk. Participants "shop-by-the-numbers" to complete meal plans, and identify food items by permanent shelf tags which describe nutritional features.

Cholesterol screening of up to 300,000 customers this year is part of the plan, which is riding the trend of preventive health care.

The nutrition plan is only one part of a broad thurst by Kroger to build and promote its pharmacy business. Other areas include: redesigning departments for greater consumer visibility, various professional programs, including incentives, for enlisting pharmacists, pharmacist training in areas such as customer interaction, and a stepped-up effort to gain third-party business.

"A major element in the success of a pharmacy operation. . . is the creation of a total health care service image," said Tillman, who said the goal is to "elevate consumer awareness and confidence in Kroger as a convenient, full-service health care specialist."

Other chains are following that approach:

- "We want to look as professional as any drug store, and emphasize the professional image," says Tom Thumb/Page's Treadway. Tom Thumb/Page regularly coupons prescription drugs. The pharmacy is set for maximum exposure at the store's front, and is adjacent to full assortments of drug store merchandise in the 55,000-square-foot combos.
- Raley's is launching its first cholesterol screening program, and developing a diabetes testing program with Squibb and local hospitals for stores in its Sacramento, Calif. and Reno, Nev., markets, said Flint Pendergraft, director of pharmacy, California division.

  The 53-store chain, with 52 pharmacies, also launched a pharmacists' incentive program with awards for stores that hit 1,000 and 2,000 weekly scripts.
- Lucky Store's new Advantage combo prototype in San Diego includes an upfront pharmacy for added exposure, with an enlarged pharmacy counter for easy consumer access.
- Publix is committed to screenings for cholesterol, blood pressure, and vision at its new pharmacies.
- At Giant Foods, the dominant food retailer in Washington, D. C. and Baltimore, the chain's reputation among consumers is a key selling feature for its pharmacies.

"They have clean, well-kept stores, and personnel who are very well trained. This becomes part of the image. . . having well-trained and knowledgeable pharmacists," said David Rombro, president of five-store MacGillivray's Pharmacy in Baltimore.

Giant Foods combines the quality element with market- leading price strategy that includes discounts on the top 50 prescription drugs, regular 30- to 40-percent discounts on leading H&BA items, and the elimination of third-party co-payment, since partly restored, Rombro noted.

A year ago the 145-store chain, with 92 pharmacies, moved to Sunday hours, said spokesman Barry Scher.

The profitability of pharmacy and H&BA are the prize for food chains who can make pharmacies work. H&BA gross margins can be 50 percent above the typical food store margins, provide a 54-percent larger sale, and produce 9.5 times more net profit, one industry merchandiser said recently. The pharmacy gross margin ranges from 25 to 35 percent, compared with total food store gross margins of about 20 percent.

Success reported

But to reap these rewards in H&BA sales, chains must refine procurement, selection and pricing. In pharmacy they have to build to the breakeven threshold, which typically takes 22 months in a food store.

Major chains report success.

Kroger's pharmacies "not only provide excellent sales growth, but they also contribute handsomely to profits." said Kroger's Tillman.

At Vons, which operates pharmacies in its Pavilions, Tianguis, and Vons Food & Drug formats, the pharmacy has been the heart of a drug store department which has earned increasing corporate support, said Tony Fanticola, vp, general merchandise and H&BA.

"The pharmacy and H&BA side, and the entire drug store portion of the business, is growing at a much faster rate than the company's growth," said Fanticola.

Food chains come to grips with 3rd-party business

The ability and willingness of supermarkets to compete for third-party business will have a major impact on the evolution of their pharmacies, as managed health care grows. While some major chains are participating aggressively, the industry for the most part is just coming to grips with it.

"The Food Marketing Institute, and the supermarket pharmacy industry in general, are just now starting to look at the issue of managed health care," said Lee Stranberg, a pharmacy professor at Oregon State and a consultant for the Oregon PSAO program.

"Pharmacy survival will be mandated by having the ability to selectively contract with all forms of third-party agencies," Dick Tillman, Kroger's vp for drug and general merchandise, said recently.

With exclusive third-party contracts with 32 agencies covering one million members, Kroger is gearing up staff and systems to further capture this businesss, Tillman said.

Others may be more reluctant.

"We're all trying to figure out how to handle third party more effectively and efficiently. It's hard for a combo store operator to offer enough [store] coverage in a market to be very competitive [for contracts]," said Lee Roy Treadway of Tom Thumb/Page.

Although Tom Thumb/Page participates in a PSAO with a Fort Worth chain and the Texas Federation of Drug Stores, it has avoided heavy involvement in PSAOs because "we don't like to share management data," Treadway said.

"The supermarkets have not really made a serious effort to get managed care contracts for themselves through PSAOs," maintains Jim Dickinson, publisher of *Dickinson's PSAO Newsletter,* which tracks the industry.

Dickinson feels that as PSAOs pragmatically seek to provide their customers with the most versatile and flexible programs, they will enlist food chains willingly.

But supermarkets will have to invest in advanced computer systems that can provide services such as patient profiles and drug utilization reviews, and have the ability to integrate with information sharing networks. Such functions will be increasingly important to PSAOs who need to document their efficiency and cost effectiveness, he said.

"I see a lot of problems for supermarket pharmacies. They are going to have to invest heavily in on-line systems, and I don't think the supermarket is likely to be that committed," said Dickinson.

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DRUG STORE NEWS®

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Chains eye Medicare computer plan role

Administration plan gets cautious support

WASHINGTON — The Reagan Administration's plan to place special prescription tracking systems in pharmacies that participate in the new Medicare outpatient drug program is drawing cautious support from drug store industry groups.

National Association of Chain Drug Stores officials, for instance, endorsed the concept of supplying retail pharmacies with computer terminals linked to a central program-wide computer, noting that such a system could speed reim-

See **Medicare,** *page 45*

By Pamela Krein

NEW YORK — Many of the nation's influential drug chain executives want the Federal government to involve chains in the planning and implementation of a proposed Medicare prescription computer system.

The U.S. plan would place computer terminals and programs in an estimated 95 percent of 54,000 drug stores nationwide—plus eligible pharmacies in food and discount stores—to begin tracking expenditures on medicines by 1991 for an estimated 32 million Medicare recipients. This follows passage of the Medicare Catastrophic Protection Act.

Pharmacies will be required to send patient information to a central government data bank. The central computer would qualify patients by noting whether they'd paid the yearly deductible. It will indicate possible drug interac-

'The single biggest thing the government needs to do is use existing systems,' said Bergen's Chuck Reed.

See **Chains,** *page 45*

Once the government program is under way, this scene will be repeated in drug stores nationwide for each Medicare prescription.

FoxMeyer's Tauscher out; NI taps Farley as chairman

PITTSBURGH — William Y. Tauscher, 38, has resigned as chairman and ceo of FoxMeyer.

Laurence Farley, 52, will immediately replace Tauscher as chairman, a spokesman for National Intergroup, the wholesaler's parent, said. Farley will also retain his role as NI's executive vp-finance, planning and cfo, a post he has held since February. He is a former ceo of Black & Decker.

NI has been dissatisfied with the contribution of FoxMeyer, which accounts for 46 percent of its assets, a spokesman said.

William Tauscher
A major at Computerland

A total restructure of the Ben Franklin wholesale business—acquired in early 1986—has been slow to take hold, and NI reported that gains in drug wholesaling were "more than offset" by losses from Ben Franklin in the quarter ended June 30.

Richard Bard, former FoxMeyer president and now chairman and ceo of CoastAmerica Corp., will leave NI's board.

Tauscher, who sold FoxMeyer to NI in 1986, is a majority investor and chairman in the Computerland computer store franchise company, which is now going public.

NI chairman Howard Love said Farley's mission will be "to organize and execute an effective plan that will realize the full potential of FoxMeyer."

Cullum operates seven distinct retail formats

Operating name	Format	Store count
Tom Thumb Food & Drug	combo	37
Tom Thumb Supermarkets	supermarket	28
Page Drug	drug	13
Simon David	specialty gourmet	2*
Hypermart USA	hypermarket	1**
Drugs Plus	deep discount drug	1
Rainbow	ethnic food	1

* Cullum's third Simon David, a 74,000 square-foot store with pharmacy, is due to open Aug. 1 in Austin.

** Cullums' second hypermarket, in its joint venture with Wal-Mart, is due to open Aug. 2 in the Dallas suburb of Arlington.

Source: Cullum Companies, Inc.

LBO won't douse Cullum Companies' retail experiments

By David Vaczek

DALLAS — A proposed $22-a-share management buyout of Cullum Companies, Inc. won't derail recent experiments in drug and food store retailing. But it remains to be seen if Cullum can afford to expand the new concepts once it goes private.

The company has absorbed most of the start-up costs for recent new format launches, including costs associated with its second Hypermart USA, which is set to open Aug. 1 in Arlington, Jim Stiles, vp-treasurer and cfo, told *Drug Store News*.

Cullum is also ready to launch its third Simon David specialty gourmet store. The 75,000 square foot store, which boasts a pharmacy, will open here Aug. 2, but it is hard to predict future store growth as the the nation's 13th largest supermarket company hammers out the $520 million buyout plan, Stiles noted.

"We don't have plans to open a third (Hypermart) in the near future," said Stiles about the joint venture into hypermarket retailing with Wal-Mart.

Cullum's ability to budget for capital projects is only one of

See **Cullum,** *page 45*

New format targets Hispanic, black segments

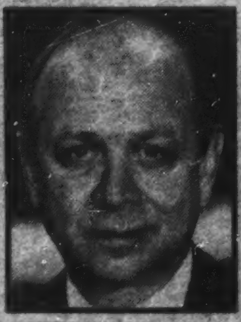
Cullum expects to find a pot of gold at the end of its rainbow—that is, its new Rainbow combo store. **Page 3**

LATE NEWS

- YPSILANTI, Mich. — Former Perry Drug Stores executive vp Alvin Wander and former Perry merchandiser Pat Teeley are negotiating to purchase Maple Village Pharmacy, which operates seven drug stores in southeastern Michigan.
- WALNUT CREEK, Calif. — Longs Drug Stores has named Steven Roath, senior vp-marketing, to the executive vp post vacated in May by the departure of Dick Scott to Osco. Roath fills the number-three position in the chain. The 24-year Longs veteran Roath is now responsible for store operations, pharmacy and computer operations. Mike Baird, vp-special projects, will assume Roath's former position.
- ANAHEIM, Calif. — Dick Boyd, Longs' vice president of pharmacy, has left the chain for a similar position at Osco, where he follows former Longs' executive vp Dick Scott. Dave Fong, previously the assistant director of professional affairs, takes Boyd's post at Longs.

Med-Glaser's Steinbaum defends firm's reinvestment

By James Frederick



Steinbaum

ST. LOUIS — Responding to the concerns of shareholders frustrated at the drop in value of their stock, Medicare-Glaser Corp. chairman and chief executive Harlan Steinbaum departed from his prepared text at the company's annual meeting here to defend management's decision last year to sacrifice profits for long-term growth potential.

Two shareholders at the July 19 meeting challenged a new incentive stock op-

See **Steinbaum,** *page 45*

NEWS IN BRIEF

Heyman new Peoples purchasing veep

Heyman

ALEXANDRIA, Va. — Bernie Heyman has been named corporate vp-purchasing for Peoples Drug Stores, in charge of buying of all merchandise categories.

For the past five years, Heyman was vp-marketing for Peoples' Lane Drug Division, which has been consolidated into Peoples' corporate Midwestern region. Prior to that, he served in senior operations and marketing positions with Reed Drug of Baltimore for more than 25 years.

National Wholesale buys Chaffee

TAYLOR, Mich. — National Wholesale Drug Co. has acquired Chaffee & Co., a local sundries wholesaler which supplies drug stores in Michigan and Ohio. Founded in 1919, Chaffee did approximately $5 million in sales last year.

National, a $130 million wholesaler which services close to 1,000 retail clients in the Midwest, will operate Chaffee as a separate division. "With the combined resources of National and Chaffee we can expand our customer base, our merchandise offerings, and our distribution areas," said president Mickey Kole.

Perry enters joint home care venture

PONTIAC, Mich. — Perry Drug Stores has launched a joint marketing venture with The Detroit Medical Center (DMC), one of Michigan's largest health care providers, to sell and rent home medical equipment and supplies. The venture, called DMC Home Medical Equipment, will be managed by Perry ComfortCare, the home health care segment of Perry's $21 million Health Care Division.

The DMC consists of six acute-care hospitals and one rehabilitation hospital, as well as a network of ambulatory care clinics and "extensive" links to private medical staff practices in greater Detroit.

"This agreement brings together two of the area's most important health care providers," said Michael Klein, Perry Health Care Division president, "and the venture will give consumers the best in home medical supply service."

Yaeger takes Revco security post

TWINSBURG, Ohio — Revco D.S. has named Steve Yaeger vp-loss prevention, reporting to executive vp-stores Carl Bellini.

Yaeger, 41, last served in the same post for Rocky Hill, Conn.-based Ames Department Stores, and spent eight years with the Federal Bureau of Investigation. At Ames, he was instrumental in reducing inventory shortages and developing loss-prevention training programs for the chain's 325 stores.

Polaroid enters film print market

CAMBRIDGE, Mass. — The color print film business, a core category at drug stores, is about to be host to a new competitor.

Polaroid, king of the instant film business, announced it will soon market a brand against the likes of Kodak, Fuji, Konica, 3M and Agfa-Gevaert.

Retailers can appreciate the irony of Polaroid's entry into this arena where Kodak reins. Just two years ago, Polaroid won its patent infringement suit against Kodak, and forced Kodak's exit from the instant photography business.

Retailers may stand to gain the most, as film suppliers develop promotions and incentives to win market share.

Chicago hosts hardware show

CHICAGO — The 1988 National Hardware Show, held in conjunction with the Hardware Industry Week, will give housewares exhibitors a chance to expand their base of qualified buyers in the hardware and allied lines, chain store and home center categories.

The show opens Sunday, August 14 and runs through Wednesday, August 17 at McCormick Place here.

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Vol. 10, No. 16 Aug. 1, 1988

Chains proceed cautiously when merchandising liquor

By James Frederick

Perry Drug Stores, parent of A. L. Price shown here, has stringent store-level programs to help prevent underage drinking.

Merchandising Spotlight

PONTIAC, Mich. — It's a game that's been played out by every underage generation since teenagers discovered alcohol: find a way around the rules governing the sale of liquor, beer and wine to minors. Methods in playing the game vary in creativity and desperation, but two perennial favorites are fake IDs and getting an adult to buy the booze for you.

Executives of drug chains that are in the business of selling alcoholic beverages are familiar with all the tricks, and they shudder when they think of the consequences. With the exception of the pharmacy counter, no facet of drug store retailing is as loaded with pitfalls or as intensely regulated as the liquor/beer/wine department.

Here, poorly trained clerks or a lax oversight policy on sales can have dire consequences for retailers: lost sales licenses, community censure, a sullied image and a growing tangle of legal ramifications as courts shift more responsibility for drunk driving mishaps to those who served or sold the booze in the first place.

Drug chains in the liquor business are taking all those consequences more seriously than ever. One standout program has been that instituted by Perry Drug Stores, which has intensified its training of store personnel in Troy, Mich., to help in that city's efforts to cut underage drinking.

Perry recently held two special training seminars for 67 of its clerks on the sale of alcoholic beverages. Arranged by Bob Mickiewicz, district manager, and conducted in part by Ann Finn, director of employment and employee relations, the training sessions focused on specific techniques to recognize and handle prob-

See **Liquor,** *page 45*

Sixty years of drug store retailing

88¢
Tooth Brush
43
19¢

A K & B drug store of yesteryear knew the value of merchandising at the checkstand area. All of the products advertised were positioned for impulse sales, such as the steel medicine cabinets for 88 cents and the men's and women's metal shoe trees for 19 cents each.

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Drug chain buyers have sweet tooth for increased candy sales

Large multipacks typically dominate candy and gum displays at deep discounters, such as Drug Emporium, who appeal to stock-up customers.

By Christine Bizzarro

Drug chain buyers around the country are saying "how sweet it is"—although perhaps without the characteristic flair of Jackie Gleason—about the increased candy sales they are enjoying.

The U. S. Dept. of Commerce estimates total candy consumption for 1988 will reach 4.9 billion pounds, and per capita consumption will weigh in at 19.5 pounds, both hefty gains. Drug chains are cashing in on the confectionery blitz by three- and four-for-a dollar or less pricing, increased product visibility, and by emphasizing seasonal buying opportunities. The latter builds impulse sales and multiple purchases, and encourages consumers to experiment with new candy bars they may never have eaten before.

"Sales of candy at drug stores have increased continually," Whitney Hill, trade relations director of M&M/Mars, told *Drug Store News*. "Drug stores treat candy as a 52-weeks-a-year promotion, as opposed to an aggressive grocery chain, which may promote candy on a 12-week-a-year basis."

Candy consumption data

(in pounds)

	1987	1986	% change
Per capita total	19.3 (est.)	18.8	3
Chocolate	9.9	9.5	4
Non-chocolate	8.6	8.4	2
Not specified	0.8	0.9	—

Sources: U.S. Department of Commerce, U.S. Department Of Labor, from the National Confectioners Association Annual Report.

As an example, at Standard, a 65-store drug chain based in Richmond, Va., Roy Putze, candy buyer, said "bagged candy does very well for us, and low-end items like Mary Janes are advertised at two for a dollar." Standard caters "mostly to customers who are looking more towards mix-and-match bagged candy and bars at special deals," he said.

Kerr Drugs, the 82-store chain based in Raleigh, N. C., sells bar and roll candy at three and four for $1.00. Candy buyer Dan McAlister said, "This pricing strategy produces a blowout—the sell-through on these items is great."

Paul Lippold, warehouse manager of Peterson Drugs in upstate New York, said the chain tries not to go above $1.00 for an assortment of candy bars, and pricing usually is three for 99 cents or four for $1.00. He said the 4-ounce and 5-ounce bars retailing for 69 cents and 79 cents "don't do that great."

Regional taste differences and the onset of the summer months may impact the selection of candy products a chain advertises.

McAlister of Kerr said, "Chocolate candy is preferred to nonchocolate sugar candy here, and milk chocolate is very strong in the South," whereas dark chocolate is preferred by most Northerners.

Anna Iacono, candy buyer at Douglas Drug, which operates 16 stores in the Providence, R. I. area, noticed there that "nonchocolate items like the jellies and hard candy sell better in the summertime, since chocolates melt."

Putze of Standard said "kiddie candy"—nonchocolate, fruit-flavored candies—aren't selling as well as an established brand like Atkinson's line of hard candies.

At Snyder Brothers, a Minneapolis-based, 20-store chain, Larry Olson, candy buyer, gives 42 total feet to the candy section. Thirty-two feet is given to the candy it stocks everyday, 2 feet is given to each checklane, and an 8-foot endcap is given to boxed chocolates.

"We use dump tables in the front of the store," said Olson regarding in-store promotions, and "in some larger stores, these tables are placed along the perimeter of the store."

Olson said Brachs' bagged candies sell well, and the "theatre size" boxes of Dots and Black Crows by Nabisco are doing well. At the checkstand area, Olson notes Baby Ruth, Butterfingers, Milky Way and Snickers are enjoying success.

Bill's Drugs, Lafayette, Calif., sells bar candy at checkstands everyday at two for 79 cents, according to Gene Bass, vp-merchandising at the 25-store chain. To capture the attention of impulse buyers, the 24-foot candy department is located in the center of the store on a gondola. Bass said his biggest concern in merchandising the category is "keeping it racked and giving it good visibility and good display."

Displaying candy at F&M, the 54-store deep discount drug chain, is usually done with "stack-outs and major endcaps on a flat or at the register," said candy buyer Bruce McClintock. He noted the most profitable segments are not the nationally-known brands, but brands like Jolly Rancher hard bagged candy in fruit flavors, made by

Continued on page 14

Standard stages chocolate blowout

RICHMOND, Va. — Standard Drug here celebrates the candy category every year by holding a Chocolate Festival during the first week of October.

Roy Putze, candy buyer for the chain, said "During this time, people are getting back into the mood to buy chocolate, since the weather is cooling off." The promotion also gives Standard a chance to clear out its warehouses before the Halloween selling season.

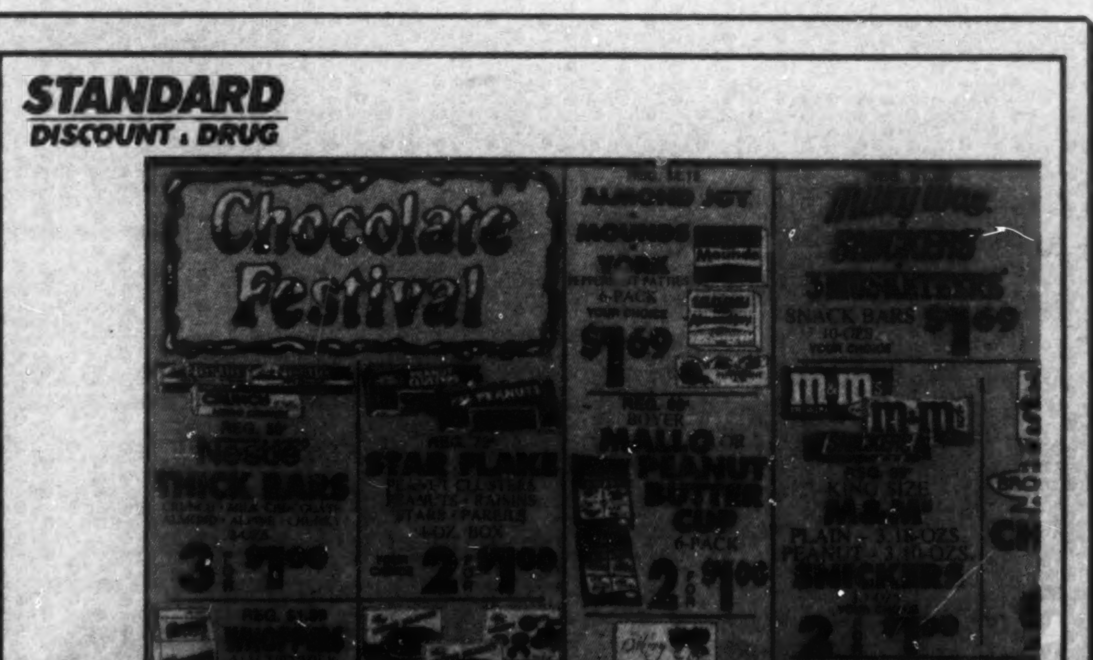
The week-long, in-store event, which Putze says is a success, began five years ago. For example, the chain may sell two boxes of Snickers in a store during a typical week, but during the festival volume grows to at least three to five times that amount. "All our chocolate items just empty out," he said.

This figure is more for a hot item like chocolate covered cherries, said Putze. "We may sell 20 cases of them in a regular week chainwide, but in October we'll sell 500 cases."

A highlight of the festival includes giveaways of 5-pound Hershey's bars in each of the store's 15 Richmond locations. Putze said he would also like to try some in-store customer sampling of chocolate items in 1989 if manufacturers will comply.

Standard gets all the POS material it can from each manufacturer, such as mobiles and displays, "to dress up the store," Putze said.

The chain aggressively advertises the festival. On the front page of the circular, nine chocolate items might be advertised, and the entire center insert is devoted to about 25 different items, such as Cadbury Thickbars at three for $1.00, and Andes boxed mints at 99 cents.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Candy-loving Americans respond to ads

According to the National Confectioners Association and Opinion Research Corp., 90 percent of all American households buy confectionery, and 9 percent of adult consumers eat confectionery every day.

Men outnumber women among these adults consumers, but age and formal education are not factors. Those earning less than $25,000 a year outnumber those earning more, but they tend to be both blue- and white-collar employees.

Drug chains price aggressively to capture everday candy eaters, of which there are millions. Eckerd recently advertised a Whoppers 13-ounce milk carton at 99 cents, and SupeRx sold Hershey's standard bars, such as Milk Chocolate and Milk Chocolate with Almonds, Kit Kat and Reese's Peanut Butter Cups, at four for $1.00. Walgreens recently offered the bonus size of Tootsie Rolls at four for $1.00 with a Walgreens coupon.

In *Drug Store News'* 1988 Checkstand Merchandising Survey, 90 percent of 60 headquarters and store level merchandise managers chose candy/gum as a checkstand favorite to capture last-minute sales.

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10% off

Cakes, cookies and crackers are part of the mix in the first shopping aisle at Phar-Mor, which aims for impulsive sweet-toothed shoppers with the displays.

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Wrigley introduces new Cinnamon and Winter Fresh™ Extra— two new ways to boost category sales.

Extra is the only sugarfree gum with NutraSweet.® And Extra is a proven winner, outselling competing sugarfree chewing gums and increasing category sales by as much as 22 percent.

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Buyers have sweet tooth for increased candy sales

Continued from page 13

Leaf. McClintock also said Bar None by Hershey's, Y & S's Twizzler licorice, and Twix are selling well.

At Harco Drugs, a 75-store chain based in Northport, Ala., the candy department is given 32 feet, and this includes the checkout area, said Andy Horn, candy buyer for the chain. "Checkout items [single bars] are advertised more frequently than the boxed chocolates and multi-packs," said Horn, "because they are traffic builders."

Horn said that in general he would like to devote more upfront space to candy.

Space is also a concern at Peterson Drugs, a 16-store chain in Oakfield, N. Y. Glen Peterson, candy buyer, said that allocation of candy space varies, from a minimum of 8 feet in the smaller stores to about 12 feet to 20 feet in the larger stores. With the variety of store sizes, Peterson said, "this limits the amount of space we can use. Even though the displays will move the merchandise, we can't always use them."

Boxed chocolates at drug chains are also enjoying success. Tom McNulty, vp of sales and marketing for Whitman's Chocolates, said "Consumption is increasing in this category, with the trend toward quality and upscale products." Whitman's will be introducing the Messenger Gold Foil Assortment this fall. The product blends European-style chocolates with American chocolates. "They are truffles, not quite Godiva, but molded filled specialties," said McNulty.

McAlister at Kerr places

Continued on page 16

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Seasonals are gaining importance in candy category sales: buyers

Continued from page 14

boxed candy, both Whitman's and Russell Stover brands, in 12 feet near the greeting cards and gift aisles. Harco, which carries Whitman's, Pangburn's and Elmer's fancy boxed chocolates, may advertise the checkout items more frequently than the boxed assortments, but according to buyer Horn, "we obtain the greatest margins from boxed candy."

The imported chocolate category has sold well in some stores, but is stagnating in others. McClintock reports that at F & M, "The European candies have picked up, with Mon Cheri, Callard and Bowser, and Toblerone bars leading the way."

Putze, buyer for Standard Drug, reported that in his markets, European bars are having a "terrible time," again because of the demographics of Standard's customers. However, a small box of Borden's chocolates sells well at two for $1.00

1987 candy industry data

	1987		1986		% change	
	Quantity	Value	Quantity	Value	Quantity	Value
Chocolate and chocolate type	2,192,023	$4,403,206	2,062,963	$4,118,705	6.3%	6.9%
Sugar-type confectionery	1,251,635	1,589,821	1,169,568	1,514,902	7.0	4.9

Note: Quantity in thousands of pounds and value in thousands of dollars.

Sources: National Confectioners Association and Chocolate Manufacturers Association.

Peterson Drugs' warehouse manager, Lippold, does not carry any European- type bars, saying "the 40-cent candy bars are our mainstay."

Seasonality is a key factor in this category, with many buyers saying boxed chocolate sales skyrocket during the holiday season. Louis DeMarco, assistant sales manager for R. M. Palmer, a candy company that manufactures branded candy like Double Crisp and Truffles as well as seasonal products like Peanut Butter Pumpkin Patch for Halloween, said "The seasonal category is more important to the candy category as a whole; the everyday candy category is stagnating. New products are few, and it is deals that generate more volume at the retail level.

"Drug stores seem to own the business," said DeMarco. "They are very seasonally oriented. The seasonal business is an incremental one, and drug stores have realized that variety and program selling work."

At Douglas Drug, during seasonal promotions, a whole candy aisle of 35 to 40 feet may be allocated, according to Iacono.

McAlister of Kerr said seasonal candy is merchandised in an additional 56 feet in the center promotional aisle. For example, during the Halloween selling season, the aisle would include costumes and accessories along with the holiday candy.

In an attempt to keep boxed candy display space steady at major chains—especially when merchants expand seasonal impulse displays, as at Halloween—Whitman's is sponsoring a consumer/trade "World of Chocolate Sweetstakes" this fall. Consumers can win trips to Disneyland, Fuji disposable cameras, and commemorative Whitman tins. But McNulty said it is really a consumer/trade contest, since prizes won by consumers will also be given to chain drug store managers where the candy was purchased.

Palm Springs is site for 40th NAGMR convention

PALM SPRINGS, Calif. — The National Association General Merchandise Representatives (NAGMR) will hold its 40th annual convention here at the Marriott's Desert Springs Resort from October 2 to 7, 1988.

Any questions regarding NAGMR or the convention should be directed to Jack M. Springer, executive director, at 111 E. Wacker Drive, Suite 600, Chicago, Ill. 60601. He can be reached at 312-644-6610.

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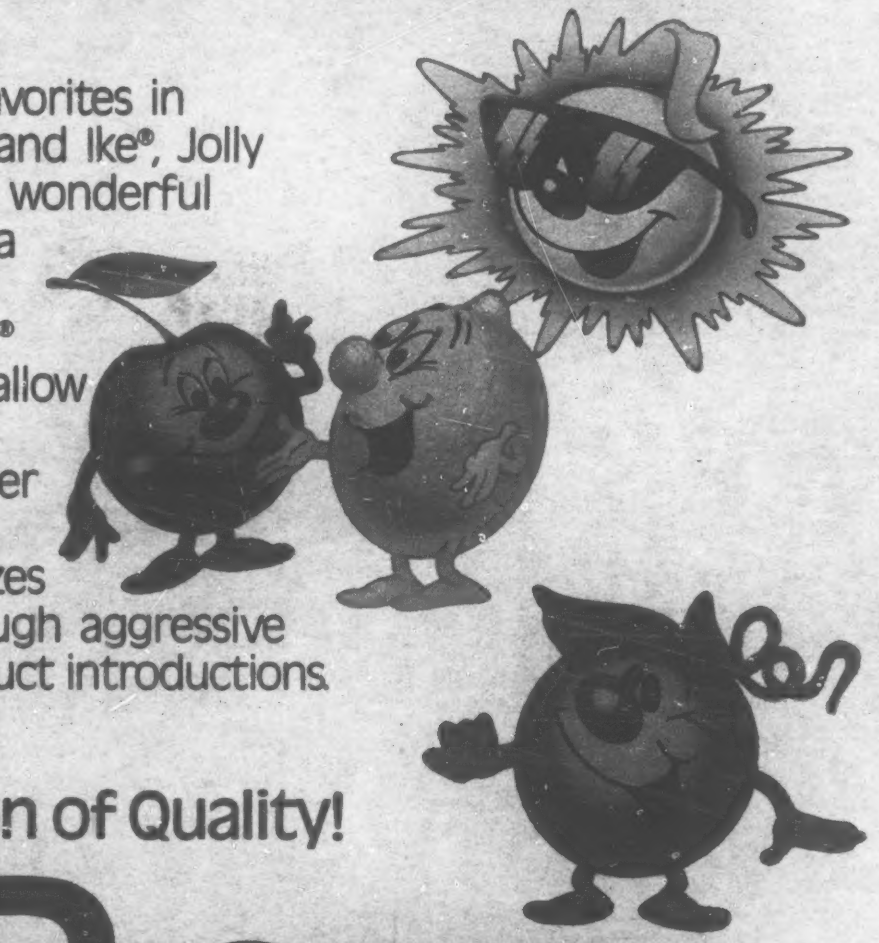

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BEAUTY TRENDS

Treatments give pizzazz to nail care sales

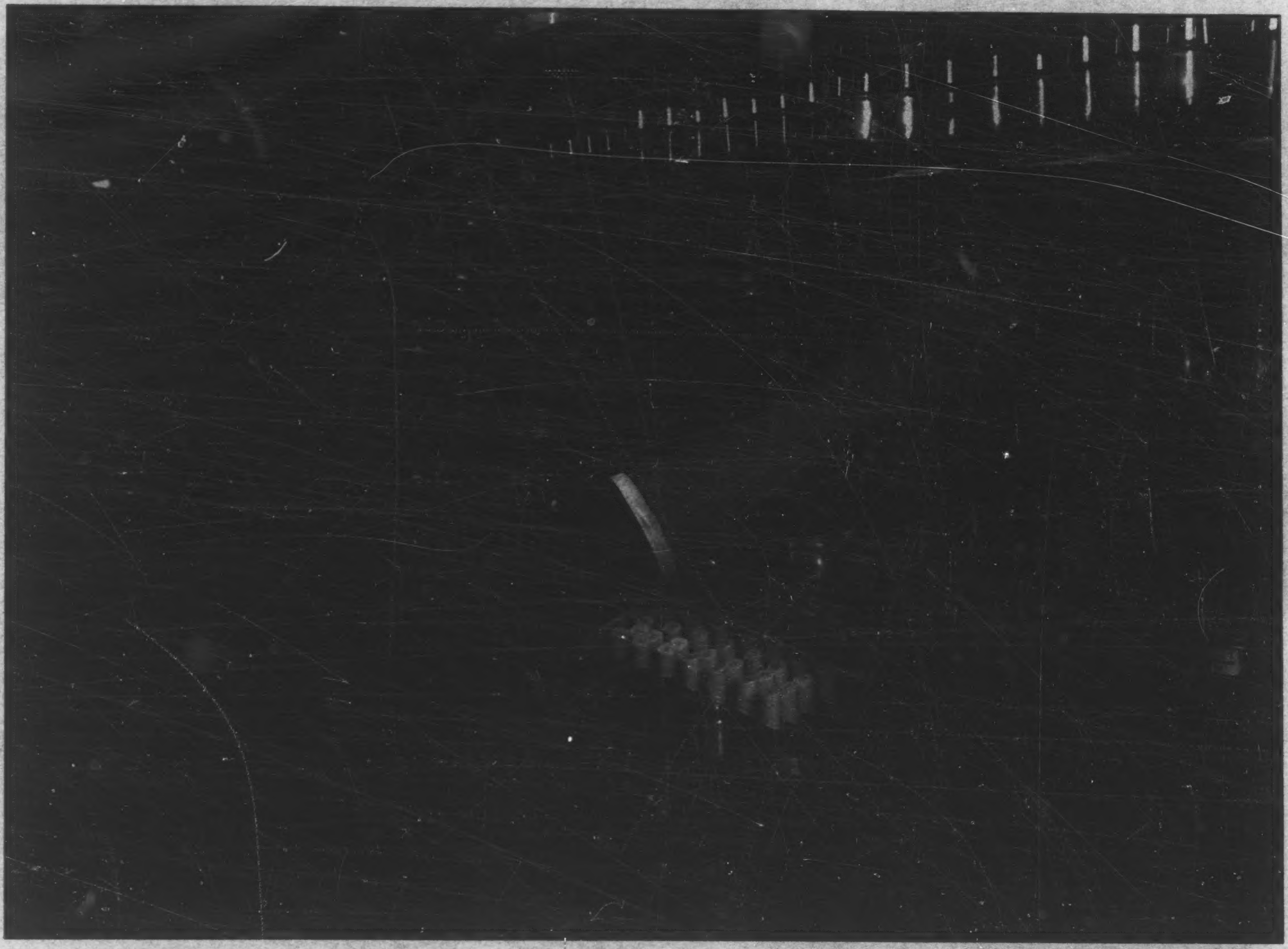
Nail treatment products are "blowing out the door," according to chain drug cosmetics and toiletry buyers.

Sales are up dramatically, they report, especially for some of the established lines like Sally Hansen and La Sallé. Also hot are some of the latest new products, particularly Revlon's Calcium Gel, Sally Hansen's Nail Therapy, Max Factor's Second Nail, Nutra Nail's Silk Wrap Colors, and Cutex's color-treatment line, Strong Nail.

Buyers say that almost all nail hardeners and conditioners are doing well. Some of the brands mentioned most often are Sally Hansen, La Sallé, L'Oréal's Grow Strong, Nutra Nail, Jonel, DeLore and Jonée.

Within the treatment segment, they report, silk wraps are doing very well. In some parts of the country, buyers are very positive about a new color/treatment line just rolling out from Cosmagique's CCA Industries called Nutra Nail Silk Wrap Colors.

The line has sold particularly well in the Detroit market, where it was featured on radio spots in May. K mart, Drug Emporium, Perry and Arbor have had good sell-throughs with the Silk Wrap Colors, sources say, and CVS and Fay's are now in the process of testing it.



The more traditional nail color lines, however, are basically flat in most areas of the country, with a few exceptions. Most buyers say that although their nail color sales are steady on the major lines, dollar sales are either flat or down somewhat.

This year's growth seems to be coming from color/ treatment lines like Sally Hansen New Lengths and Hard As Nails, Strong Nail and Silk Wrap Colors.

Artificial nails are definitely down, with most buyers reporting declines ranging from 10 percent to as much as 40 percent.

In artificial nails, the biggest fall-off has come from the colored press-ons and to a slightly lesser extent from the regular press-ons, especially at higher price points.

Most buyers say their budget-line press-ons are still selling well, particularly Wet 'N Wild's 99-cent version. Several buyers also say they are still doing well with Cosmair's Press & Go press-ons.

However, there are some bright spots in the artificial nail category. Many buyers are now starting to report strong, and sometimes dramatic, growth in sculptured nails and French Manicure kits.

Buyers throughout the country report strong sales growth in sculptured nails, but off what is still a relatively low base. Most chains say they only started carrying sculptured nails about a year ago when Lee Pharmaceuticals launched a new "easier to apply" sculptured nail. But within this past year, a few chains report sales have grown by as much as 50 percent.

Some buyers think the sculptured nail category could grow to be as large as the now waning press-on segment. However, buyers caution that the category's future growth will depend on new formulas now hitting the market. Several manufacturers have new sculptured nail sets launching now (see new nail products story in this section), and Lee is heavily advertising the category, just as it heavily advertised press-ons to single-handedly build that segment.

But many buyers say that the sculptured nail (a semi-permanent nail that wears better than press-ons) can be difficult for a woman to apply at home, and the success of this category will depend, as Arbor's David Van Howe puts it, on how "user friendly" the new launches are.

Most buyers also report growth in their French manicure kits, but their projections of growth vary around the country. Some chains estimate that category's sales are up about 10 percent, while others report increases in the 20 percent to 30 percent range.

One buyer even thinks that the growth in French manicure kit sales may be slowing sales of nail color and nail enamel in her stores.

This year, the nail implement category is generating light to moderate growth. Some chains report their nail implement sales are up between 2 percent and 4 percent, while a few say sales are up about 10 percent.

Some buyers report that the growth in nail treatment sales has helped their implement business.

Growth in nail color sales

Retail segment	Dollar sales*	% change vs year ago	Share of market
Drug stores	$156.1	(2.4%)	64%
Food stores	$ 40.9	(4.8)	17
Mass merchandise stores	$ 47.1	(11.0)	19
All three outlets	$244.1	(4.7)	100

*12 months ended March/April, 1988 Source: Nielsen Marketing Research

Nail color: Five-year market share trends

Retail Segment	1983	1984	1985	1986	1987
Drug	65%	64%	64%	63%	63%
Food	17	16	15	16	17
Mass Merchandise stores	18	20	21	21	20

Source: Nielsen Marketing Research

Nielsen: Nail color sales gain strength

Nail color sales in mass market outlets were weak last year, but the category has been getting stronger in the past six months, according to Nielsen Marketing Research estimates.

Nielsen reports that after several years of relatively strong growth, nail color sales in food, drug and mass merchandise stores declined 6 percent for calendar year 1987.

Mass merchandise stores were the hardest hit last year. Nail color sales in these stores were down almost 9 percent for 1987. Drug stores suffered a 5.8 percent drop in nail color sales in 1987, but food stores escaped with just a moderate 3.5 percent decrease.

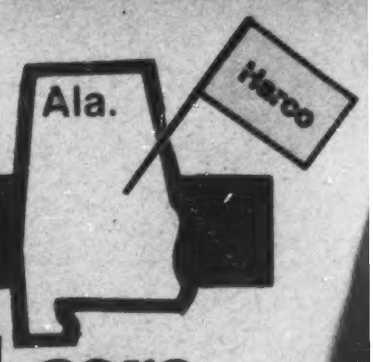
The picture for drug stores, however, has gotten a little brighter in the last six months. Nielsen reports that the category went up 3.5 percent in the November/December two-month reporting period, and it was up 4.7 percent in January and February.

However, in March/April '88, the growth rate slowed somewhat, and Nielsen only registered a 1.7 percent increase for drug store nail color sales in that period.

For the 12 months ending in March/April, 1988, drug stores were outperforming food and mass merchandise stores in maintaining the category. Their nail color sales were still off, but just by 2.4 percent. In food stores, nail color was down nearly 5 percent while in mass merchandise stores, it was off by 11 percent.

Drug stores still remain dominant in the nail color category. For the 12 months ended last April, drug stores had a 64 percent share of all nail color sales, while food had a 17 percent share and mass merchandise stores, a 19 percent share.

It now looks as if drug stores have a shot at beating back the competition to regain the 65 percent share they had of nail color sales in 1983.



Treatments pace nail care at Alabama's Harco Drug

Many drug chains are responding to the fast growth in nail treatment sales by creating separate "treatment" sections within their cosmetic planograms. In most cases, treatments are the heart of the set, but artificial nails, nail implements and nail polish removers and other accessories often round out the set.

NORTHPORT, Ala. — In Alabama, Penny Wade, cosmetics buyer for Harco Drug, reports that except for Sally Hansen Hard As Nails, her nail color sales have slowed down somewhat this year.

She thinks they may be off because of the growing popularity of the French Manicure kits in her market. So far, the Revlon French Manicure and Wet 'N Wild's $2.95 Frenchy have been her best sellers.

Strong Nail had just gotten into the Harco stores, but Wade said she expects that it will do very well. "Hard As Nails does better than most of my color lines, so I think Strong Nail will do well too. Women today are looking for products with treatments in them."

Wade said that so far this year, treatment sales have been the fastest growing in the nail category. "Sally Hansen is our strongest brand," she said, "but La Salle has been doing well here too."

Calcium Gel had just gotten into the stores at presstime, but Wade was optimistic it would do well. Second Nail was already going into the new planogram for Max Factor. "We had it in the pre-pack and it sold very well," Wade said. "It's a very good item."

Pavion's Nail Zone was still on order, but Wade felt that because Pavion will be doing a lot of advertising for Nail Zone and because treatment gels are "trendy" right now, that it should do very well.

In color, Clarion was "slow." Wade said the line sold fairly well last Christmas when it was promoted, but since then it has slackened off.

Cover Girl's Nail Slicks has also slowed some, but Noxell has repackaged the line and put it out uncarded and Wade said that change should help revitalize sales. "Women like to see the colors when they buy nail enamel," she said, "and Noxell is very fast to react when something slows down, so I think this will be a good change."

Max Factor and Revlon have both been doing well for Harco as color lines.

The Revlon implement line has also been selling well, although the category is basically flat for Harco. "It's neither up nor down," said Wade.

Like many drug chains, Harco has been advertising color more; in some cases, it has been tying in nail care ads with training schools and instore display contests.

Last March, Harco ran a training school with Del Labs' Sally Hansen division, and a few weeks later broke an ad for Sally Hansen in its coupon books. Harco also sponsored a display contest for Sally Hansen, and Wade said the result was a great ad, with impressive sell-throughs.

Since then, Wade has begun tying in other types of items with nail care ads. "We're looking for incremental sales, and I think women who buy nail care products, particularly treatment products, will also buy related items like implements or cotton balls or our private label nail polish remover. So whenever I can, I'll put a related item in next to my nail care items, and sometimes I'll do it whether there are promotional monies available at that time or not. The end result pays off."

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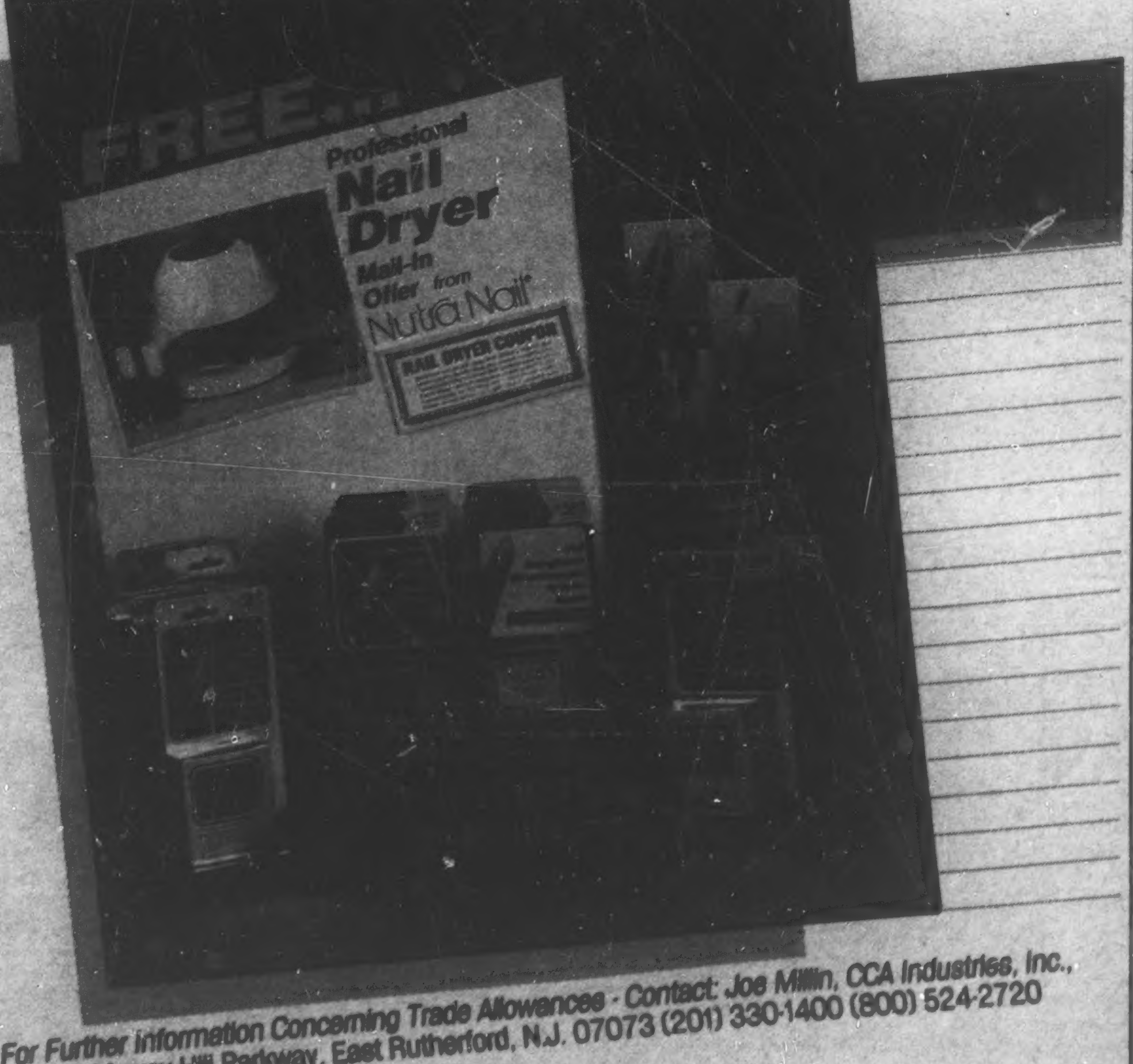

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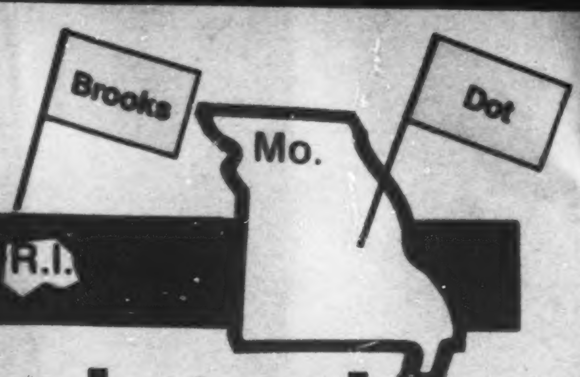


Treatments strengthen nails, as well as Brooks' sales

PAWTUCKET, R.I. — In the Northeast, sources for Brooks Drug, which has about 360 stores, report that the new Sally Hansen Nail Therapy is selling like hotcakes.

A company source said it may be because people like the package or because they like what the Nail Therapy does. "It's new and it can be related to moving up in the world, improving the way you are," said one source.

Traditional Cutex also does well in Brooks stores, and the new Cutex Strong Nail line is off to a very good start. Management said consumers seem to like the Strong Nail colors and they like the idea that Knox gelatin, a traditional nail strengthener, is in Strong Nail's formula.

"Anyone who's ever gagged down Knox gelatin to try to make their nails stronger knows the appeal of putting the gelatin in a nail color/treatment item," said a company spokesperson.

Brooks has been doing a lot of promotions with the entire Revlon nail line recently, and management said they've been seeing "a lot of strength" in both the Revlon line and nail care in general.

However, Brooks passed up a go at Revlon's new Neat Touch nail care line, because management didn't feel there was anything "new or innovative" in the line. One source said many of the SKUs in the Neat Touch line duplicated SKUs that Brooks is already carrying in the classic Revlon line.

Nail care is still a fast-growing segment. Working women are buying more treatment products to strengthen their natural nails, and they're investing more in artificial nails they can apply at home. Especially popular are sculptured nails and French manicures.

In treatments, Sally Hansen dominates the category in the Brooks stores, and management said the entire line is selling well, with the new Nail Therapy doing especially well.

Max Factor's new Second Nail Nail Saver is also doing well in Brooks stores. "We haven't promoted it yet, but sales have been steadily and consistently good. Probably around the first of the year, we'll begin promoting it," said one source.

Brooks management thinks the treatment lines have been doing so well because people today want to build up and condition their nails.

In addition to Nail Therapy and Second Nail, the La Sallé treatment products are strong at Brooks and so are L'Oréal's Grow Strong and many items in the Sally Hansen Hard As Nails color/treatment line.

Two Hard As Nails shades, nude and natural, do particularly well at Brooks because, management speculates, "people seem to be using them as a conditioning item for problem nails."

Like most drug chains, Brooks merchandises its nail color lines by family: Revlon nail in the Revlon planogram and L'Oréal in the L'Oréal section, for example.

Management said that the entire color category has been "doing a good job across the board. Revlon has consistently been strong, Max Factor has been growing, and L'Oréal and Almay have been doing well.

Most Brooks stores have four feet of pegged space that holds accessory items, including false nails, which Brooks has cut back in space "considerably" from a year ago.

In implements, Revlon is dominant, but Brooks also has a selection of key La Cross items to give its customers more variety and a better selection.

The La Cross line replaces a private label line that Brooks' new management found was not selling well. With La Cross in the planogram, Brooks said the department has grown more attractive to customers and sales of implements are now trending up.

"Our Revlon implement sales are up too," said one source. "Now it looks like we have a more complete department and we also have a better quality product on our shelves."

'Natural' sculptured nails move for deep-discounter Dot

KANSAS CITY, Mo. — In Kansas City, Gwen Batchelor, cosmetics supervisor for Wal-Mart's 14-unit Dot deep discount chain, reports that sculptured nails lead nail sales for the chain, doing better than press-ons, as do glue-ons.

She said the Miss Lee press-on line for children and the new Lee French Manicure kits also are not selling well in her stores, and that colored press-ons are not turning at all.

Batchelor said the Lee sculptured nails are selling well and so is the Salon Professional Nail line that Dot buys from South Beauty Sales, a local distributor of professional products to retail outlets.

"Women are tired of the press-ons. You can't really do anything when you wear them except eat and drink champagne," she said.

"The sculptured nails look better and more natural and they stay on. You can live a normal life when you wear them."

In the color/treatment segment, Cutex's new Strong Nails is doing exceptionally well for Dot. Batchelor said the line was only in her stores a few weeks before she had to reorder. The line is merchandised both in-line and in prepacks. Batchelor said the movement is good from both spots in the store.

"The shades are nice and people like them, and I think they also like the idea of the Knox gelatin in the formula."

Strong Nails is the only color line generating dramatic growth in Dot stores at the moment, but Batchelor said Revlon, Max Factor and L'Oréal are all doing "OK." Their growth has stabilized, but they all still sell well.

Sally Hansen, however, is showing stronger growth and Batchelor thinks it is because, like Strong Nail, the line has a very persuasive treatment story to tell. "The other lines stress treatment benefits too," she said, "but people seem to go more for the Sally Hansen line."

In the total nail segment, Batchelor estimates that her strongest overall growth is still coming from her treatment brands. Max Factor's new Second Nail Nail Saver is doing very well in her stores, and so is Sally Hansen's Nail Therapy and Revlon's Calcium Gel.

Sally Hansen's Maximum Growth is also still doing well at Dot and L'Oréal's Grow Strong is performing "fair."

Overall, Batchelor estimates that treatments may be up about 10 percent this year in Dot stores. Except for Cutex's Strong Nail, the color segment is flat, and the artificial nail segment is down. Implements are also flat to up slightly.

Dot recently cut back slightly on its implement department. They had used two spinner racks plus a four-foot section for Revlon, its dominant brand.

Now Dot has eliminated one spinner rack and given its stores the option of taking either the La Cross rack or the Kurl Lash rack. "Both lines have performed equally well for us," said Batchelor. "It seems to be a matter of one line being better in one area and another line stronger somewhere else, so we've left the selection up to the stores."

Batchelor did bring in the Revlon Neat Touch line, which includes implements as well as treatment items and a small assortment of artificial nails.

In spite of the fact that the Neat Touch line duplicates some SKUs that Dot already carries, Batchelor said the line has worked out very well for the chain. "The line may have taken some sales from our spinners," she said, "but our Revlon implement sales aren't down, and we do seem to be getting some additional business.

"The Neat Touch artificial nails are also selling fairly well. Revlon has a bonus pack that includes a free trial size nail color with each purchase, and consumers are responding well to that."

The information in this ad tracking report was supplied by Vereen & Associates, a management and marketing consulting company based in Indianapolis.

Vereen & Associates currently tracks 100 percent ad activity on 40 drug store product categories. The service currently monitors the print ads of most of the nation's top 40 drug chains.

The information in these charts can be used to identify the most frequently promoted brands and segments within the nail care category, and also to compare the most recent advertised prices on popular brands by chain and market.

The ads in this special report appeared in newspapers and circulars in May 1988.

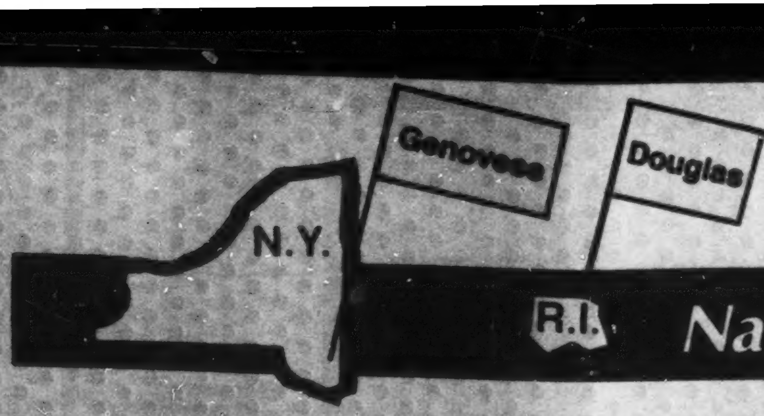
Vereen's definition of nail care includes nail color products, artificial nails, nail treatments, nail implements, nail polish removers and accessory products like emery boards and shaping discs.

Drug, food and mass merchandise chains:

(Percent of print ads focused on cosmetics/toiletries in May 1988

Category	Percent of total ad space in print ads		
	Drug stores	Discount stores	Food stores
Skin care/sun care	9.2%	2.9%	8.4%
Hair care/accessories	7.1	4.0	7.0
Women's cosmetics/fragrances, excluding nail care	3.9	1.2	2.7
Men's toiletries	1.7	0.7	1.7
Nail care/color	1.0	0.4	0.6
Cosmetics/toiletries as a % of total May print ads	22.9	9.2	20.4

Source: Vereen & Associates. May 1988 Retail Ad Activity Service



Long Island's Genovese notes 'good growth overall' from nail care products

MELVILLE, N.Y. — In the New York market, Stephanie Hayter, cosmetics buyer for the 83-unit Genovese chain, reports "good growth overall" in nail care and particularly good growth from the new Cutex Strong Nail line.

"Strong Nail has been doing very well in our stores," Hayter said. "I think it's because it has a new angle."

Hayter said her stores are also doing well with the 99-cent Brucci color line. "Brucci has a customer following in New York," Hayter said. "We moved a quarter of a million pieces last year, all impulse sales."

Hayter does have the Revlon Neat Touch line in her stores, and she reports "very good sell-throughs." The Revlon classic implement line is also doing well, even though Hayter agrees there is some overlap or duplication between the two lines. "We haven't seen any tradeoffs and we are getting incremental sales," she said.

Max Factor and L'Oréal are both doing pretty well in Genovese stores, and the Revlon Natural Wonder Super Nail is also selling well. Genovese merchandises the Natural Wonder Super Nail line on an open shelf near the Brucci rack.

Almay nail color is doing "OK" at Genovese, Hayter reports, "but it's not one of the strongest nail color lines.

Nail Slicks from Cover Girl is doing well at Genovese and Hayter said the Clarion nail color line is picking up and doing much better than last year. In treatments, Second Nail is doing well; Develop 10 with a $7 price point is very strong; and La Salle does well. Hayter has featured them several times in the Genovese coupon book to good effect. Revlon's new Calcium Gel is doing exceptionally well. It sold out of its prepacks and is now going in the regular planogram.

Nail Therapy is also doing well and it also sold out of its pre-packs. French manicure kits are selling well at Genovese, particularly the West Cabot, Lee and Sally Hansen kits.

Sculptured nails are "hot" right now in Genovese stores. Hayter said she thinks it's too soon to tell how much growth this category can generate over time. "Its future depends on how many more women will now start using sculptured nails. It's possible that the majority of women weren't using them in the past because they're expensive in the salons. Now that they're more affordable, we'll have to see what happens.

"I think the category needs more advertising, and if Lee gets behind it as aggressively as they got behind the press-ons, that might do it for the category."

Hayter reports that Genovese hasn't made any major changes in the way it merchandises nail care this year.

The chain has been upgrading its cosmetics department, however, and the biggest change is that it is installing showcases as it remodels or opens stores. At the current rate, about 10 to 15 stores are remodeled each year.

Many drug chains are converting to a family presentation of nail coloring products. Buyers and merchandisers reason that most women are brand loyal and if they tend to buy, say, Revlon face and lip products, they will also want to buy Revlon nail enamels. Putting the nail color in the family set then just makes it more "convenient" for brand loyal shoppers. It also makes it more likely that drug chains will generate incremental impulse sales.

Aggressive ads, coupon books boost Douglas's category sales

NORTH PROVIDENCE, R. I. — In Rhode Island, the 11-unit Douglas drug chain reports nail products are continuing to grow as a category.

Cosmetics buyer Anne Beauregard said Douglas has also been advertising nail care much more aggressively lately, particularly treatment items and major brands like Revlon.

Beauregard favors the use of coupon books for nail care ads. She feels an ad in a coupon book gets the best exposure. It's in the consumer's home for a month as opposed to a day or two for a newspaper ad, and it gets better attention. "People tend to save the coupon books and to read them. They're more visible," she said.

Beauregard also likes to advertise nail care because the food and mass merchandise stores don't usually focus in on this category. "They don't do much with nail at all," she said. "They prefer to do blanket ads on lines. They'll advertise a 10 percent discount on Cover Girl, for example, but they won't single out Cover Girl Nail enamel or an individual nail treatment item."

Like most chain drug store cosmetics buyers, Beauregard has cut back on her space for artificial nails, dropping down about 50 percent to three feet. She's given the extra space primarily to nail treatment lines, which now have about four feet of space.

In Douglas stores, the higher-priced press-ons have fallen off in sales while the lower-price lines like Press 'N Go are still continuing to do well.

The Miss Lee children's press-ons are still doing well, but Beauregard is starting to see more sales coming from the Lee Sculptured Nails. The sculptured nail segment has been doing so well that Beauregard recently added two more lines: West Cabot and Cosmair's Press & Go.

Nail glue, especially the Kristy Wells Ultra Glue, has been doing "fantastic" in Douglas stores.

Revlon's Calcium Gel has had "excellent" sales at Douglas. The DeLore strengthener and hardener has done well. La Sallé is strong and so is Cosmagique's Nutra Nail.

Second Nail wasn't selling that well yet in the Douglas stores at presstime. Maximum Growth, however, which Douglas promotes frequently, was "flying out the door."

Revlon was Douglas's best-selling color line, but the new Flame Glow nail enamel was "blowing out the door" at presstime. Strong Nail was also "blowing out," Beauregard said, but L'Oréal was only doing well on certain shades, and Beauregard said the line's color selection may need a "face lift."

Nail Slicks was very good, but Clarion wasn't turning well and Beauregard speculated that the Clarion color line may disappoint women on "wearability. There was good trial, but no repurchases," she said.

Almay's nail line was just selling "so-so." Beauregard also noted that Almay's nail enamel doesn't seem to wear as well as other enamels that aren't marketed as hypo-allergenic.

She feels that because the line is hypo-allergenic, it probably doesn't contain ingredients like formaldehyde that contribute to longer wear.

Nutra Nail's new Nutra Silk Wrap Color line was just shipping in at presstime, but Beauregard felt it would do well. "The price points are a little high, but the polish is nice, and it is a color/treatment line," she said.

The Natural Wonder enamels were scarcely moving in Douglas at presstime.

The implement category was doing well in Douglas stores. Both Revlon and La Cross were selling well, and Beauregard was about to bring in some of the Neat Touch items.

Strong Nail was doing well, and Beauregard said part of its success was the result of it having "good shades at a good price."

Most frequently advertised brands in nail care

Brand	% of May 1988 mass-market retail print ads
Sally Hansen	15%
Cutex	13
Revlon	10
Lee Nails	9
Max Factor	6
La Sallé	5
La Cross	4
L'Oréal	4
Jonel	3
Flame Glow	2

Source: Vereen & Associates. May 1988 Retail Ad Activity Service

Most frequently advertised categories in nail care

Segment	% of May 1988 mass-market retail print ads
Nail color	32%
Polish removers	20
Nail treatment	14
Artificial nails	13
Nail implements/accessories	0.9
Other	20

Source: Vereen & Associates. May 1988 Retail Ad Activity Service

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Nail color: Five-year changes in % of dollar sales

Retail segment	1983	1984	1985	1986	1987	12 months ended March-April 1988
Drug	6.5%	6.7%	17.4%	6.1%	(5.8%)	(2.4%)
Food	14.3	6.0	8.2	17.5	(3.5)	(4.8)
Mass Merchandise Stores	16.3	20.4	21.1	8.3	(8.9)	(11.3)
All Three Outlets	9.4	9.1	16.6	8.3	(6.1)	(4.7)

Source: Nielsen Marketing Research

Family groups Arbor's answer for managing nail care growth

TROY, Mich. — In the Midwest, David Van Howe, cosmetics buyer for Arbor Drug stores, is reacting to the growth in nail treatments by incorporating the treatment lines into a family planogram.

Van Howe is also changing from a generic set to a family presentation for all his nail color and implement lines as well. He said he is making the change because he's noticed that consumers are becoming more brand loyal when they shop. "A L'Oréal color user usually buys L'Oréal Grow Strong treatment. The Sally Hansen color user buys the Sally Hansen treatment items, and so on.

"We're putting all the nail items in the family set because that's the way women seem to want to shop. It's also easier for her to coordinate a nail color purchase with a lipstick shade from the same line. Instead of having to go to two or three sections in the store to buy what she needs, she can shop one section. It's more convenient for her."

In nail care, Van Howe also said he is getting his strongest growth from the treatments, up maybe 10 percent to 25 percent in Arbor stores. His best-selling brands are the Sally Hansen treatment items and the Sally Hansen repackaged New Lengths color treatment line.

Revlon's Calcium Gel has been doing very well in his stores, and the Sally Hansen Nail Therapy, which was just getting into the stores at presstime, looks like it will also do very well, he said.

Second Nail sold very well from its prepack and Van Howe said he will probably add it to the Max Factor planogram. Grow Strong and Maximum Growth, although no longer new items, are still doing "dynamite" for Arbor, Van Howe said.

"I think the mass use of press-ons created the demand for nail treatments," he said. "There are so many damaged and brittle nails out there that people just had to do something. Also, I think more people are trying to grow their own nails rather than continue to wear artificial nails."

Although Van Howe said his overall artificial nail business is down, he is seeing very strong growth with the new sculptured nail lines. That category, which was almost nonexistent in Arbor stores last year, is up 30 percent this year.

Budget nail care lines are doing well in most chain drug stores, buyers say. Teenagers and younger women are brand-loyal budget customers. Their tendency is to buy two to three shades at a time, until eventually they trade up to the mass market lines.

So far, all the growth has been coming from the Lee Sculptured Nails, which Lee is advertising very heavily right now. Van Howe, however, is adding the Jonel Sculptured Nail and Cosmair's Press & Go Sculptured Nail to his line because they look easy to use and he thinks "user friendly" sculptured nails will be the key to the category's future.

"If women buy them and find they're too hard to use, that'll be it," he said. "It'll be a one-time purchase and then she'll go on to something else; but if the new formulas work as they promise, this category could be as strong as the press-ons."

Silk wraps are also selling well at Arbor. Van Howe said the Jonel Silk Wrap and the La Salle Silk Wrap are both excellent sellers. The Jonel Ultra Hold is also extremely good, he said.

The French Manicure kit is also doing well, but Van Howe only carries one brand, Orly. "Orly's everyday business is up about 10 percent and it's a good item for us," he said, "but it's such a dressy look that I don't think we need more than one brand. It just doesn't have that broad a user base yet, at least for us."

The Miss Lee Nails are also doing well for Arbor, but it depends on the market. Some stores turn the Miss Lee nails very fast while others don't, he said.

The nail color segment at Arbor is steady, but it's not showing much growth, maybe 5 percent.

Sally Hansen's New Lengths is doing extremely well. L'Oréal's nail line is doing well and the Revlon One Coral shade promotion did very well.

Cutex's Strong Nails was just getting into the stores at presstime, but early reports from the field indicate that it's doing extremely well.

Natural Wonder's nail color has been reduced to just a few shades at Arbor. Van Howe said he is waiting to see what will happen when the new uncarded Natural Wonder comes out this fall.

Nail Slicks has been steady, but not growing dramatically. Van Howe said it is too early to tell if the new uncarded package will create more incremental growth.

Clarion's nail color has not been selling well at all, and Van Howe said that he is waiting to see what happens if Noxell reformulates the line and if the new advertising makes any difference in sales. "Actually none of the Clarion color brands are selling that well," he said.

There hasn't been any growth in the implements category either, although both the Revlon implements and the Cook Bates Gem line do a good, steady business.

Neat Touch has been added to the Revlon family set, and Van Howe said he is "encouraged" with the movement on the treatment items. "I think it's been helped by having a family set," he said.

Van Howe is not advertising nail care any more strongly than he was last year. His way of building sales is by refining the planograms so Arbor can continue to enhance "our presentation and assortment. That's the key to sales growth for us," he said.

Color cosmetics: New nail care product launches

Product	Company	Launch	Description
Kristy Wells Nail Wrap, Prep-Up Nail Hardener & Conditioner	Kristy Wells	3rd '88	Line extension
Nutra Nail Silk Wrap Treatment	Cosmagique	3rd '88	New one step silk wrap treatment. $3.95 SRP.
Nutra Nail Silk Wrap Colors	Cosmagique	3rd '88	Line extensions: Four new color shades. Now a 16-SKU line
Nutra Nail Silk Wrap Colors	Cosmagique	2nd '88	New color treatment line with 12 shades. The formula isolates silk wrap fibers and suspends them in the color formula. Wraps the nail with silk to strengthen and bond it.
Nail Salon	Ardell	2nd '88	Line extensions: Sculpting Gel System Nail Kit; Sculptured Nail Tip Kit; Multi-purpose Cosmetic Spatulas; Nail Antiseptic Salon
Press & Go	Cosmar	2nd '88	Line extensions: Press & Go Adhesive tab remover; French Manicure; Sculpture Quik Acrylic Nail Kit
Lee Sculptured Nails	Lee	2nd '88	Line extension: new Pharmaceuticals salon length
Allora Nail Treatments	Allora Beauty Labs	2nd '88	New four-SKU treatment line
Fingers No Light Gel System	Fingers	2nd '88	A new one-step nail tip with applicator. Fast drying, simple. No buffing.
Hard Tops	Fingers	2nd '88	Two-bottle solution for strengthening the nail.
Jonel Sculptured Nail Gel	Jonel	2nd '88	New brush on applicator-unique to category. Easy to apply; inhibits fungus growth.
Diamond Nail	Pantresse, Inc.	2nd '88	Fortifies and hardens nails. Fast drying.
Strong Nail	Cutex	2nd '88	Six nail treatments and 32 shades of fashion color and treatment products. The color line is called Strong Nail Perfect Color. Cutex will spend $3 million to support the launch. Print ads will run from July thru December.
Sally Hansen Nail Therapy	Del Labs	2nd '88	Line extension: Liquid crystal formula fortified with natural ingredients. Support includes major print and TV.
La Sallé "10"	La Sallé, Int'l	2nd '88	Line extensions: Insta Nail Dry and One Coat Calcium Gel.
Nu-Nails	Nu-Nails, Inc.	2nd '88	New upscale packaging.
Kristy Wells	Kristy Wells	2nd '88	Line extensions: Sculptured Nail Kits; three new glue repair kits.
Nail Zone	Pavion	2nd '88	New gel that treats nails and cuticles simultaneously. First Pavion product not under Wet 'n Wild brand.
Cover Girl Nailsticks	Noxell	2nd '88	New line of long wearing enamels with a wet look.
Nailene	Pacific World	2nd '88	Repackaged. New trial and travel kits available.
DeLore Nail Fix	DeLore Int.	1st '88	Line extension: repair gel for nails.
Revlon Calcium Gel	Revlon	1st '88	New treatment for the nails fortified with calcium.
Nutra "10" Calcium Nail Strengthener	Cosmagique strengthener.	1st '88	Calcium enhanced nail
La Cross Gentle Care for Beautiful Feet	Del Labs	1st '88	New grooming collection.
New Gel Formula Sculptured Nail Kit and New French Manicure Kit	West Cabot	1st '88	New "mistake proof" kits.
Neat Touch	Revlon	1st '88	New line of grooming aids.
Nail Complex	Pavion	1st '88	New value line of regimen treatments.
Second Nail	Max Factor	1st '88	Hardener and conditioner

Source: *Drug Store News* research

New generation of nail conditioners-hardeners hits market

This year, manufacturers seem to be committed to building the sculptured nail segment by launching new formulas that are easy to apply and much less expensive than acquiring a similiar treatment at a salon.

Many manufacturers are also expanding their assortment of nail treatment items and there is an effort to be innovative in this category by developing a brand with a new twist.

At press time, our New Products tracking system showed that within the past 12 months, there have been about 25 major new product launches or packaging changes within the nail care segment.

In nail, the growth areas are color/treatment lines, hardeners and conditioners, silk wraps, sculptured nails, and the French manicure kits.

Both Cutex and Nutra Nail have new color lines with treatment properties, and reports from the field indicate that chain drug stores, when they have both these lines, are "blowing them out the door."

This year, there is a whole new generation of protector/conditioners/hardeners about to hit the market.

Kristy Wells has a new hardener; Fingers has a new one called Hard Tops; Pantresse has one called Diamond Nail; Cutex has a hardener in its new line of Strong Nail treatment products; CCA has a whole assortment of conditioning and strengthening items for its Nutra Nail line; Del Lab's Sally Hansen has Nail Therapy; Revlon has hardeners and conditioners in its new Perfect Touch line, as well as their new Calcium Gel; La Sallé and CCA also have a new calcium gel conditioner; Pavion has Nail Zone, and Max Factor has Second Nail Nail Saver.

There are almost as many companies bringing out sculptured nail kits. Ardell has one under its Nail Salon brand, Cosmair has one under its Press & Go brand, Lee Pharmaceuticals has its new Lee Sculptured Nails, Fingers has its new No Light Gel System; Jonel has its Scuptured Nail Gel, Kristy Wells has Sculptured Nail Kits, and West Cabot has their New Gel Formula Sculptured Nail Kit.

Many souces say the sculptured nail is the next generation of artificial nails: the successor to the press-on nails that took the retail market by storm about three years ago.

Sculptured nails have always been fashionable and popular with women who had their nails done in salons. But nail salons charge $40 to $50 to apply scupltured nails, and that has made the look not readily affordable to the mass market.

But now many manufacturers have developed new technology that make the applications of sculptured nails faster and easier, and many of the new sculptured nail kits are selling for retails between $5.95 and $9.95.

Fingers' new No Light Gel System, for example, first evolved in salons about three years ago. The manufacturer claims the kit "takes the grind out of applying nails."

Users don't need to worry about either liquids or powders. Instead they apply the gel, which is an acrylic overlay, to the nail tip and within seconds, the tip adheres to the finger.

The process is fast, simple and the nail doesn't require buffing.

Cosmar makes a similiar claim for its new Sculpture Quik Acrylic Nail Kit. Cosmar says its new water activated system "eliminates mess, harsh odors, and chemical activators".

Sculpture Quil also comes with a "Quik Fit" sizing disc designed for fast application. Once the nail tip is sized and applied, it gets dipped in water to harden into a smooth finish.

Jonel also has a new technology for applying sculptured nails at home. Jonel claims its new Sculptured Gel Nail was the retail industry's "first brush on appplicator."

Jonel also claims that using the brush on applicator helps inhibit the growth of fungus in the nail bed. Fungus has been a common problem for many women who use press-ons and other artificial nails.

Lee Pharmacuticals, which was one of the first manufacturers to launch a sculptured nail over a year ago, now has a new third size hitting the market: a salon length size.

Lee sources say that the scuptured nail segment, along with French Manicures and their Miss Lee Nails for children, have been showing strong growth trends for the past few months, even as the press-on category has been flattening out.

"Consumers got started with the press-ons" says Lee's president Ted Dettlaff, "but now they're deciding they want something more permanent. It's the next generation of artificial nails."

Ardell may have one of the lowest priced sculptured nail kits now hitting the market. Since their starter kit launched last year, many drug chains have been promoting them at $5.95 and $6.95. Ardell also claims the nails are fast and easy to apply and give women a chance to create "affordable salon nails" at home.

Some sources also say the square tip nail is starting to become popular. Out on the west coast, the Pacific World Corp., which makes the Nailene nail care line , says its strongest growth right now is coming from its square tip nail kit.

The action length nail kit and the Nailene Finishing Nail Glue are also doing very well, management says.

Promotion

Some drug chains have started to work with nail care manufacturers to create consumer value programs geared specifically to their chains.

Eckerd and Rite Aid, for example, are both working with Cosmair, which makes Press & Go Nails, on a promotion that will feature free samples of some of Cosmair's Press & Go products with purchases of specific private label items like the Rite Aid cotton swabs.

Eckerd did such a promotion last April, sources said, and Rite Aid has one planned for later this fall.

One source said the promotions give the chains a chance to use traditional marketing strategies to generate incremental sales for their private label lines.

Major manufacturers have used value packs for years to generate trial for new items or build share for their more established brands. Now, said the source, the drug chains are starting to use similiar strategies to build their own private label businesses.

FACES panel says 'be different' to maximize sales

Beauty Beat
Elizabeth Parks

How can retailers get more growth from their cosmetics/-fragrances departments?

According to a panel of retailers and manufacturers who gathered at the Fragrance, Accessory and Cosmetic Exposition and Showcase (FACES) in New York recently, the answer is "be different."

The cosmetics buyers for several major department store chains who were on the FACES panel and several chain drug store retailers in the audience agreed that the way to maximize cosmetics sales in today's market is to "be different" and to stand out with as many new and exclusive brands as possible.

Toni Hopkins, vp/divisional merchandise manager of cosmetics for Neiman-Marcus, said that many cosmetic shoppers today are simply "tired" of the way most chains treat the category.

They're "tired of the fact that most stores look alike," she said, and they're tired of "me-too products."

Calls for better direct mail

Hopkins' solution is to do "more forceful direct-mail pieces" and to create her own mailing pieces with an eye to "giving consumers a reason to use our stores."

Two drug store retailers who attended the FACES program, Austin Drug president Gary Spielfogel and Brooks cosmetics buyer Susan Godfrey, agreed that the customer today wants "something she can't find anywhere else."

Spiegfogel said it was imperative for both mass and department store retailers to ferret out new or exclusive brands that they can be the first to promote.

Dorothy Foster, who until recently was the senior buyer of cosmetics and fragrances for JCPenney, and who now has her own business, DCF International, said the "key to being a successful merchant today is giving consumers something they didn't know they wanted to begin with."

Leslie F. Grunberg, founder and president of Benetton Cosmetics, said that retailers, above everything, "need to know their reason for being.

"It has to be beyond making money or beyond killing the competition and gaining market share," he said. "A president of a retail company has to know what the cornerstone of his business is . . . what niche it is he or she fills and satisfies."

Retailers on the panel also talked about the constant need to upgrade one's image in the market, a necessity just as much for drug chains as for department stores.

Michael L. Vincent, president and ceo of Guerlain, said that all stores today can get "discounted or diverted merchandise," so no chain can rely on its identity as a provider of exclusive products.

"That means chains have to upgrade," he said, "because eventually the only distinguishing feature will be a store's ability to offer a pleasant environment to shop in as well as sales clerks who are knowledgable and efficient."

Foster added that most retailers shouldn't try to rely on becoming "all things to all people."

She said they have "to make choices. They have to limit the brands they carry so they can make a marketing statement about the brands they carry."

In another panel, retailers also tried to identify opportunities for growth in the men's fragrances market.

Paul Cohen, who publishes Beauty Age magazine and who created the FACES trade show, said the real growth in men's fragrances is in cologne sprays, up 18 percent versus last year. The segment, as a whole, is up 5.6 percent in year-to-date sales.

Joanne Marshall, divisional vp of cosmetics for the May Company, said the key to the category's growth is the special merchandising attention that retailers have given this segment in the last few years.

Especially in department stores, Marshall said sales have been helped by merchandising men's fragrances within men's apparel sections. This way, she said, men have freer access to fragrances as well as a more comfortable environment in which to shop.

"Men prefer not to shop in the women's area of the store," she said, "and when you're talking about attracting men shoppers, it's important you make the category easy for them to shop."

John Stabenau, vp and divisional merchandise manager of cosmetics for Marshall Field, also agreed that men "feel more comfortable shopping for fragrances in their own environment."

Stabenau said that some of his stores can generate $10 million a year in their cosmetics departments, and a well known line like Clinique can easily do $250,000 a year in select stores.

A sleeper category

Stabenau also called the men's grooming segment "a sleeper category" and predicted that in the next couple of years, growth should escalate "rapidly and dramatically" for all retailers who pay intelligent attention to the category.

Panelists at the show also predicted that the industry will back away from purchase-with-purchase (PWP) and gift-with-purchase promotions in 1989, and go more in the direction of sampling to gain trial and ultimately repurchases.

Peter Zegras, vp/gm for Halston, said his company will be moving away from PWPs because he believes they are not as productive in capturing the "day-in, day-out business that is to be had out there."

Zegras said suppliers will soon arm retailers with other types of marketing aids, including free samples and samples of starter kits "to get men into a product regimen."

Zegras said retailers can expect to see manufacturers spending more time trying to train sales clerks so they will be better armed to make intelligent sales recommendations. "You'll see an effort to get men into the fragrances first, and after that, they'll probably be an effort to get him into skin treatments," he concluded.

Makeup is key prop for 'successful' women

According to a recent survey of American men and women sponsored by Westwood Pharmaceuticals for its line of Keri skin care products, the average American women spends considerable time caring for her appearance.

Six out of 10 women in the study reported they exercise at least three times a week. Two-thirds said they use makeup at least that frequently, and nearly six in 10 said they used body lotion several times a week. Over half also claimed to use a facial moisturizer regularly.

What the study researchers called "accomplished women" (which they defined by the women being listed in Marquis' Who's Who of American Women) tended to be even more attentive to their appearance than women in the overall population.

More than eight of 10 women in the "accomplished" group said they use makeup regularly; three-quarters said they use facial moisturizers; and two-thirds said that they used body lotions regularly.

Westwood commissioned the public opinion/market research company Research & Forecasts to do the study to assess the importance of a healthy appearance to self image.

The nationwide phone survey encompassed 756 women and 255 men over the age of 18, and was supplemented by a mail-in survey of 733 "accomplished women" listed in the 1987 Who's Who.

Among the study's other findings:

- 80 percent of all women say beauty plays an important role in their development of confidence.
- 42 percent of all women say that clothing is important in making them feel good about themselves.
- Just slightly over one-third of all the women in the study could be classified as "highly confident" about themselves. This included 37 percent of all women in the general population and 52 percent from the Who's Who listing.
- The highly confident woman in the study tended to be older, have a higher income, work full time and have had children.
- 87 percent of highly confident women expressed confidence in their appearance; and
- Highly confident women spend more time caring for their bodies and worry less about aging.

Appearance measures taken at least three times a week

	Females[1]	Accomplished women[2]
Use make up	67%	86%
Exercise	61	62
Use body lotion	58	65
Use facial moisturizer	56	76
Don't know/No answer	9	27

1. Taken from a phone survey of 756 women
2. Taken from a mail in survey of 733 "accomplished" women listed in the 1987 Marquis Who's Who of American Women

Source: *The Keri Report: Confidence and the American Woman*

Cosmetics: Category in Motion

Prince Matchabelli is repositioning its classic Wind Song fragrance to appeal to a broader base of users, especially women 18 to 24.

Wind Song's current base is heaviest among women 50 and over, but recent research shows that the brand's fragrance and positioning receive higher ratings among younger women that its packaging does.

The new packaging has a cool blue background highlighted with bright pastels. Matchabelli will also spend $6 million to support the relaunch with print and TV advertising.

Matchabelli is also introducing a new 0.3-oz. spray with a SRP of $4.95 to attract trial as well as younger users.

* * *

Almay Cosmetics is launching its first fragrance: Almay Hypo-Allergenic Fragrance. Management says it is the industry's "first hypo-allergenic fragrance."

It has been dermatologist and allergy-tested to insure that it is not skin sensitive. The 1-oz. cologne has a SRP of $10; the 2.5-oz. cologne spray is $16.50; the 2.5-oz. Pour is $13.50; and the 8-oz. all over Splash is $9.50.

* * *

Colonia, Orange, Conn., will handle the marketing and distribution of a new Julio Inglesias signature fragrance scheduled to debut here sometime in 1989.

The line is being developed by Myrurgia Barcelona, which has a worldwide licensing agreement with the popular singer.

The fragrance will have select department store distribution in the United States, Colonia's management says.

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Revco D.S. enters **kruptcy**

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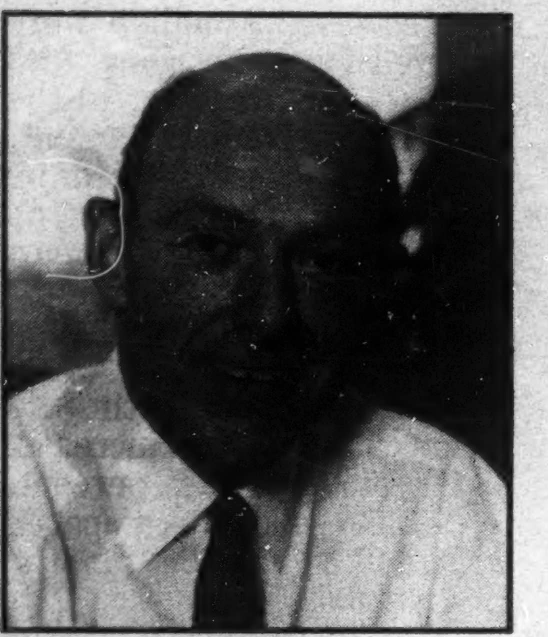
DRUG STORE NEWS®

Vol. 10/No. 17 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Aug. 22, 1988

Revco D.S. digs in, seeks improved goods flow



Boake Sells

By David Vaczek

AKRON, Ohio — Revco's warehouse inventory levels dropped from 94 percent in May to 70 percent currently, chairman Boake Sells told *Drug Store News* immediately after an August 9 bankruptcy meeting attended by the chain's 20 largest creditors. He claims stores are 90 percent in-stock, though observations indicate that might be a high estimate in some markets.

"We still don't have enough goods. The first few weeks [of a bankruptcy] are chaos," Sells said.

Suppliers are owed $135 million of Revco's total $1.5 billion in liabilities. Some have tightened terms or stopped shipping since the April interest default.

For example, Revco is now on a cash-on-delivery basis with wholesaler Bindley Western, which it owes $10.8 million. 'Revco was paying us right on time prior to the filing; they were totally current [as per terms]," chairman Bill Bindley said.

Revco has sought to reassure vendors it can pay them now, since it is relieved of all debts incurred before the July 28 Chapter 11 filing, including interest on $700 million of subordinated notes and $333 million of bank debt.

Revco announced August 3 that additional cash to pay vendors will be financed by Wells Fargo and Marine Midland banks. It will receive $50 million in interim credit and expects $145 million credit from the banks in late August to finance continuing operations while a plan of reorgani-

See **Creditors,** *page 3*

> *'We don't anticipate any divestitures, [but] it's too soon to tell if there will be a major change in the number of Revco stores.'*
>
> **—Boake Sells**
> *chairman, ceo*

Gerald Nathanson departs Pay 'n Save; Eils assumes titles

By Pamela Krein

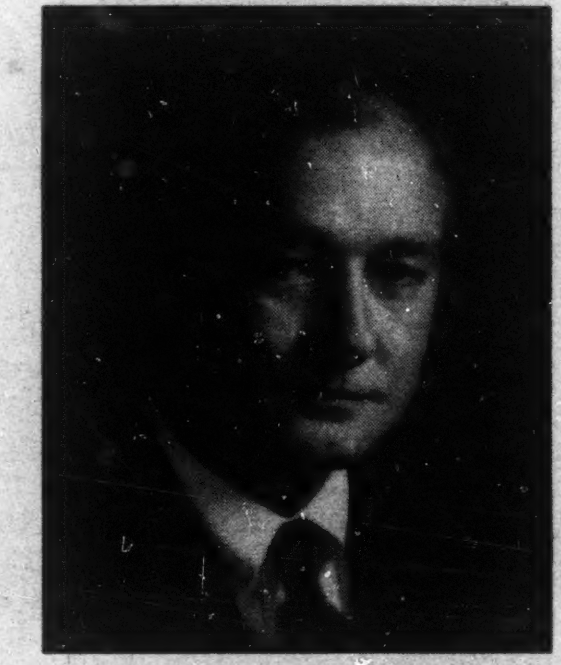
SEATTLE — Just one month after Thrifty Corp. bought Pay 'n Save for $232 million, Gerald Nathanson, president and ceo of the acquired chain, has left to pursue other interests.

Thrifty president Dick Eils has assumed Nathanson's titles in addition to his own. However, day-to-day operations at Pay 'n Save now fall under Richard Dortch, a senior vp at Thrifty who also fills the newly created post of executive vp and general manager of Pay 'n Save.

At Thrifty, the new executive vp and gm role is filled by John Onestinghel, who had been senior vp and assistant to Eils.

When the acquisition was first announced in May, Thrifty and Nathanson said the Pay 'n Save executive would stay on to oversee the new division—providing Thrifty with insight into the generally unfamiliar Pacific

See **Nathanson,** *page 77*



Dick Eils

Exclusive *DrSN* field supervisor/manager study:

Store managers assert operational independence

By Al Heller

NEW YORK — If you are a vp-operations at a drug chain today, get your aspirins ready. You may be in for a migraine.

Results of the inaugural *Drug Store News* study, "The Role of Field Supervisors and Store Managers," show graphically that headquarters doesn't always get what it wants.

Some dramatic contrasts appear in the answers from store managers, field supervisors and vps, and directors of operations. What headquarters thinks is happening in the stores often isn't.

How could this be? Are operations systems breaking down all over? Are store managers recalcitrant? Are headquarters execs communicating poorly? Is the retail drug trade filled with Neanderthals?

The answer is, indeed, compliance is in the eye of the beholder.

Continued on page 27

'Outstored', Kroger to sell 43-store Florida Choice chain

TAMPA — Kroger's move to sell its 43-store Florida Choice chain was a surprise to many industry observers. But the supermarket giant's Florida stores appear to lack the size and number to compete with Publix, Albertson's and Winn-Dixie, according to market sources.

"We figured they planned to bite the bullet for a couple of years until they got firmly entrenched. You would have thought they'd factor in a five-year loss. The pullout was quite a surprise," said a spokesman at one of Kroger's chief supermarket competitors.

Kroger appeared committed after buying 18 Family Mart stores from A&P in December 1986, and converting them to the Florida Choice name and format. It also began launching larger stores in the 60,000-square-foot range.

The first units, started in 1980 under the SupeRx Food and Drug banner, were all converted to the Florida Choice format, which includes a pharmacy.

Local sources said the stores were aggressively priced and advertised in their main markets of Tampa-St. Petersburg, Naples-Ft. Myers, Melbourne, and Orlando.

But they were outstored and smaller in size than their primary food store competitors, local sources said. Most of the former SupeRx Food and Drug stores were in the 25,000-square-foot range, and were unable to match wide selections of products and specialty de-

See **Kroger,** *page 77*

LATE NEWS

- MEMPHIS — A Malone & Hyde management group, having secured financing, has agreed with parent Fleming Co. to buy the M&H drug store business, including 101 SuperDs, Fleming said. Executive vp Don Lasseter leads the group.
- ALEXANDRIA, Va. — Gene Bergoffen, senior vp-administration at NACDS, is leaving for another job. Jim Huber, of Peat Marwick and Maine, will assume his duties as vp-finance and administration. Doug Wallin has been named vp-government affairs, said Ron Ziegler, president.
- HARRISBURG, Pa. — Rite Aid broke ground for its new $30 million headquarters here last month, expected to open in 1990.
- ANAHEIM, Calif. — Dick Boyd, Longs' vp-pharmacy, has left the chain to join former Longs' executive vp Dick Scott at Osco. Dave Fong, former assistant director of professional affairs, fill Boyd's slot at Longs.

Hot topics top business agenda for NACDS's San Diego Rx meet

SAN DIEGO — Some of the hottest issues affecting the chain drug pharmacy community are on tap at the 31st Annual NACDS Pharmaceutical Conference here Aug. 28 to Sept. 1.

At press time, presentations were slated for "Accepting the Challenge of Managed Health Care," "Automation Opportunities in Health Care-Implications for Corporate Drug Chains," "Electronic Third Party Claims Processing—The Black Box," and "Purchasing in the Future: Interactive Home Shopping."

Speakers include Dr. Edward F. X. Hughes, founder and director of the Center for Health Services and Policy Research at Northwestern University; Bill Lockwood, co-founder and president-publisher of ComputerTalk Associates; Rep. Henry Waxman (D-Calif.), and Peter Vidmar, 1984 Olympic Gold Medalist, on "Accepting the Challenge," which is also the theme for this year's conference.

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NEWS IN BRIEF

K mart halves circular program

TROY, Mich. — K mart has eliminated one of two weekly circulars in most markets in cutting $75 million from its insert advertising budget. It has also ceased distributing circulars through Advo's direct mail service, due to rising postage costs, a K mart spokesperson said.

All circulars will be sent via Sunday newspapers, said spokesperson Terry Kula.

The halving of circular ads, effective in all but "select markets," reflects K mart's desire to spend ad monies in other areas to emphasize a quality merchandise image.

"We want to get the message across that we have brand-name quality merchandise at an affordable price," said Kula.

"We know our circulars can't reach everyone. We're trying to reach those who may not get them," said Kula, adding that K mart has recently emphasized event sponsorship, such as for the Olympic games, and magazine advertising.

K mart advertises health and beauty aids, but not its pharmacy operations, in its circulars.

The cut doesn't affect its other retail businesses, such as Pay Less NW, which have separate budgets.

Calif. atty. gen'l eyes market mergers

LOS ANGELES — Two major West Coast supermarket mergers, currently under Federal Trade Commission review, have come under fire by California's attorney general.

Both the Vons acquisition of 172 southern California Safeway stores and the American Stores purchase of Lucky—with 343 sites in California—have drawn criticism from California Attorney General John Van de Kamp, who fears the mergers would lead to higher prices and less competition.

"Together, these two mergers represent an unprecedented consolidation of firms in the grocery industry and raise serious questions about their effect on competition," Van de Kamp said in comments filed with the FTC.

American Stores responded to the criticism stating: "California consumers will see lower prices—as much as $50 million to $60 million annually—immediately following the successful merger of Lucky Stores and American's Alpha Beta unit."

In the same statement, American said it has reached an agreement with Market Wholesale Grocery Co. to sell 15 Northern California stores, as part of the 37 stores the FTC is requiring the company to divest.

Both mergers have received conditional approval from the FTC and are now waiting for the final ruling.

Roberson heads Eckerd Vision Group

CLEARWATER, Fla.—Eckerd has named Richard Roberson, former vp-treasurer and controller, to the newly-created post of president of the Eckerd Vision Group. Roberson will oversee the launch of as many as ten new Visionworks eye wear centers over the next 12 months, bringing the total to 21. He will also manage the 75 optical centers in Eckerd drug stores.

Roberson has also been named a senior vp of Eckerd Corp., chairman Stewart Turley announced.

Roberson's duties in finance will be taken over by the current financial staff, under Jack Boyle, senior vp-finance and administration.

Harris buys Interchange, Rx wholesaler

SOLON, Ohio — Harris Wholesale, which services about 3,000 drug stores in 15 states, has acquired Interchange Distributors, based in Valley View, Ohio, near Cleveland, for an undisclosed amount.

Interchange, a privately held wholesaler of pharmaceutical products, operates in northern Ohio and western Pennsylvania. It serves mail-order houses as well as retail drug stores from its distribution center, located in Valley View.

Harris, the nation's largest privately held wholesaler, operates seven distribution centers and had an estimated $1 billion in sales in 1987.

Interchange president Homer Herke said, "Harris' financial strengths and broad product selection will give us the opportunity to expand our business base with existing customers, as well as enter new markets."

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Vol. 10, No. 17 Aug. 22, 1988

McK extends Alco deadline a second time, to Aug. 31st

SAN FRANCISCO — McKesson Corp. has announced a second extension of the expiration date for its cash tender offer to acquire Alco Health Services, until midnight Aug. 31 (New York time).

A McKesson spokesman said the company understands the Federal Trade Commission is continuing to review the acquisition, including taking testimony from various parties. The offer was previously extended to Aug. 8. In another merger-related development, John H. Kennedy retired from his position as chairman and ceo of Alco Health Services July 29 and was succeeded by Ray B. Mundt, who is also chairman and ceo of Alco Standard. John F. McNamara will continue to serve as president and chief operating officer of Alco Health.

Kennedy, 58, had previously indicated his intention to retire upon completion of the sale of Alco Health to McKesson.

Mundt stated that his main responsibility will be to oversee the management of Alco Health, pending completion of the offer by McKesson to acquire all the shares of Alco Health for $30 per share, or about $500 million. Alco Standard owns 49 percent of the outstanding Alco Health shares.

Kennedy, a certified public accountant and frequent public speaker, is regarded as a strong finance-oriented manager, who was a key to Alco's earlier growth-by-acquisition strategy.

Meanwhile, Alco Health and McKesson Corp. each reported record-setting results for their third and first quarters, respectively.

McKesson Corp. posted record first-quarter net income, buoyed by a strong contribution from its drug distribution arm. Drug distribution revenues increased 10 percent, to $1.3 billion, accounting for 82 percent of total revenue for the quarter ended June 30. Operating profit rose 14 percent, to $31 million, or 55 percent of total operating profit. In last year's first quarter, revenues were $1.2 billion; operating profit was $27.1 million.

Thomas W. Field Jr., McKesson president and ceo, said that the "underlying tone of drug distribution remains firm, with operating margins in the quarter rising to 2.30 percent from 2.21 percent in the period a year ago, and 2.29 percent for all of fiscal 1988."

Alco Health Services' third-quarter revenues increased 17 percent, to $509.7 million, from $434.1 million for the quarter ended June 30, 1987. During the quarter, pre-tax charges of $2.9 million were incurred for professional fees and expenses relating to the pending merger. As a result, net income was reduced by $1.8 million, to $4.1 million, up from $3.8 million in the year-earlier period.

For the nine months, Alco Health revenues were $1.5 billion, compared with $1.3 billion, a 21-percent increase. Net income was up 22 percent, to $15.03 million, compared with $12.33 million for the 1987 period.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

CLEVELAND, Ohio, 1928 — What's the matter with drug store sandwiches? The Standard Drug Co. of Cleveland knows the answer. In one of its outlying stores, they have acquired a reputation for selling the most delicious sandwiches in the vicinity. Instead of the ready-made factory packed sandwich, marked with a mournful label announcing its contents, sandwiches are made in full view of the customer and on a moments notice. The experienced soda fountain clerk can make a sandwich almost as quickly as it takes to reach for a ready packed one.

50 years ago

SEATTLE, Wash., 1938 — Showmanship applied to a table display of vacation needs resulted in substantially increased sales of these items at the Bartell drug store, Second and Union Streets, Seattle.

This long table, which stood in front of a wall casing, had a tall panel background covered with plain white paper on which were mounted a pair of swim trunks, several sun hats and men's sports caps.

40 years ago

CHICAGO, 1948 — Walgreens Drug Store, Chicago, hit an all time peak in sales volume—$163,260,827—for the year ended Sept. 30, 1948, the annual report discloses. Volume exceeded last year, the previous high, by 5.4 percent.

30 years ago

CLEVELAND, Ohio, 1958 — Gray Drug Co., Cleveland, is pushing its prescription department aggressively. In its new store releases, the Rx department and the men who man it take front center position, and starting this month the Rx department will be highlighted on radio and TV spots.

20 years ago

LONG ISLAND CITY, N. Y., 1968 — Genovese Drug Stores, Inc., of Long Island City, N.Y., captured the Brand Name Retailer of the Year plaque for "outstanding brand name retail merchandising." Genovese won in Class I, for retailers with annual sales of $1 million or more. Dart Drug of Landover, Md., and Elliot's Drug Stores, Savannah, Ga., were named Certificate of Distinction winners for Class I.

10 years ago

TALLASSEE, Ala., 1978 — With the launching of its newest unit in Tallassee, Ala., Harco Drug has reached the 30-store milestone. The new store is the latest in the Northport, Ala. operation's fast-paced expansion program. The chain, in fact, has been opening stores at the rate of three or four a year since 1970. It currently operates throughout Alabama and into neighboring Mississippi.

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SPECIAL SAMI/BURKE REPORT

Category trends by market are not uniform

Product Tracking

Alan Miller

In my July 18th column, we saw that purchase rates of H&BA products through drug stores can vary dramatically from one SAMI market to another. We suggested that more effective marketing programs could be tailored to both high consumption and low consumption markets.

Also important to watch: the significant differences in category trends among the 54 major markets in which SAMI/Burke is tracking food and drug store movement. In order to focus on this point we have selected 10 product categories with important dollar volume gains nationally in retail drug store movement for the 12-week period ended May 20, 1988, which corresponds closely with the second quarter of the year. For each of these expanding categories, we have shown the trends in ten geographically dispersed markets for the same time interval.

In some instances, category growth has been aided by volume contributed by new brands which were not on the market during the corresponding year-ago period. Among appetite suppressants, Stay-Trim is both new and national. There are three new major entries in the hair spray category: Salon Selectives, Bold Hold and St. Ives. The mouthwash category boasts two new important brands: Colgate Tartar Control and N'Ice. Equalactin is the new and national product among laxatives and stool softeners. 3M has launched Buf-Puf Cleansers in the facial preparations category.

In other instances, key brands have enjoyed strong sales performance which has bolstered the trend line for the entire category. Among lip care products Blistik had a particularly strong second quarter showing. Tek and Butler were active in the toothbrush category, and both Tums (with a powerful calcium supplement sales pitch) and Mylicon rose sharply among antacids. With foot deodorants and athlete's foot remedies, NP47 enjoyed strong sales.

In addition, Bayer contributed continuing increases which trace back to the study reported in the January 28 issue of the *New England Journal of Medicine*, citing the benefits of aspirin in preventing heart attacks. (SAMI/Burke showed sales increases both in warehouse withdrawals and in scanner stores—contrary to a recent story in the *Wall Street Journal* to the effect that stores stocked more aspirin after the news of the study broke, but consumers did not increase their purchases of aspirin.)

Suppressants up 20 percent

During the 12-week span under scrutiny, drug store sales of appetite suppressants rose 20 percent nationally. The highest gain among the 43 SAMI/Burke markets with comparable year-ago data (tracking is now reported in 54 markets) was a change of 96.2 percent in the Houston market. In contrast, there was a loss of 22.3 percent for this category in Indianapolis.

The trend parameters in the mouthwash category ranged from an upward surge of 71.7 percent in St. Louis, to a drop of 4.2 percent in Kansas City. Among the geographically selected markets in the charting, the lowest rate of gain was 11.4 percent in the Atlanta market.

Hair sprays, benefiting from new hair styling, have been on a roll for many months. In St. Louis, drug store volume of these items rose 106.1 percent, whereas a decline of 4.8 percent was registered in the Jacksonville/Tampa market.

Drug store sales of lip care products (not including lipstick) rose 90.4 percent in the Indianapolis market but fell 35.2 percent in Kansas City.

For laxatives and stool softeners the best performance was found in Seattle/Tacoma where the 12-week sales increase amounted to 68.7 percent. By contrast, in Minneapolis/St. Paul, there was a 21.5 percent decline in the sales of products in this category.

The range of sales changes for facial preparations goes from a gain of 71.5 percent in St. Louis to a loss of 17.5 percent in the Cinncinnati/Dayton/Columbus SAMI market. The spread of trends for antacids ranges from plus 30.0 percent in Spokane to minus 13.5 percent in Minneapolis/St. Paul.

Foot deodorants and athlete's foot remedies rose 51.3 percent in the Denver market but dipped 20.7 percent also in Minneapolis/St. Paul.

Toothbrush volume surged 119.7 percent in St. Louis but experienced a decline of 19.1 percent in the Hartford/New Haven/Springfield market. The strongest market for internal analgesics was Los Angeles/San Diego where the gain amounted to 31.1 percent. However, there was a loss of 10.9 percent in Denver.

Alan Miller is a consultant to SAMI/Burke, Inc., and former vp of sales service at Selling Areas Marketing, Inc.

Strong-performing drug store categories, 12-week dollar trends

Category	Percent change vs. year ago
Mouthwash	+22.4%
Appetite suppressants	+20.0
Hairspray	+19.5
Lip care products	+18.8
Laxatives and stool softeners	+17.6
Facial preparations	+13.1
Antacids	+12.1
Foot deodorants/ athlete's foot remedies	+10.4
Toothbrushes	+ 9.7
Internal analgesics	+ 7.4

Source: SAMI/Burke

Drug store dollar trends for high flying categories in 10 geographically dispersed major markets, 12 weeks ended May 20, 1988 vs. year ago

Appetite suppressants

Market	Percent change vs. year ago
Boston	+35.7%
New York	+35.6
Atlanta	+54.5
Miami	+38.9
New Orleans	+36.1
Chicago	+64.2
St. Louis	+15.3
Dallas	+56.7
Denver	+49.8
Los Angeles	+ 5.2
Total U. S.	+20.0

Hair spray

Market	Percent change vs. year ago
Boston	+ 29.1%
New York	+ 18.1
Atlanta	+ 20.9
Miami	+ 15.1
New Orleans	+ 20.6
Chicago	+ 6.3
St. Louis	+106.1
Dallas	+ 20.6
Denver	+ 14.2
Los Angeles	+ 16.3
Total U. S.	+ 19.5

Laxative & stool softeners

Market	Percent change vs. year ago
Boston	+49.1%
New York	+38.8
Atlanta	+13.6
Miami	+28.6
New Orleans	+29.7
Chicago	+ 6.5
St. Louis	+12.3
Dallas	− 0.9
Denver	+15.4
Los Angeles	+10.9
Total U. S.	+17.6

Lip care products

Market	Percent change vs. year ago
Boston	+ 21.3%
New York	+ 8.1
Atlanta	+ 15.6
Miami	+ 30.5
New Orleans	+ 17.8
Chicago	+ 79.6
St. Louis	+ 29.1
Dallas	− 20.2
Denver	− 6.4
Los Angeles	+ 4.0
Total U. S.	+ 18.8

Mouthwash

Market	Percent change vs. year ago
Boston	+33.3%
New York	+31.1
Atlanta	+11.4
Miami	+17.0
New Orleans	+38.3
Chicago	+16.4
St. Louis	+71.7
Dallas	+14.8
Denver	+12.5
Los Angeles	+27.8
Total U. S.	+22.4

Toothbrushes

Market	Percent change vs. year ago
Boston	− 3.0%
New York	+ 2.0
Atlanta	+ 38.6
Miami	+ 21.2
New Orleans	+ 18.7
Chicago	+ 20.4
St. Louis	+119.7
Dallas	+ 28.6
Denver	+ 20.3
Los Angeles	+ 50.4
Total U. S.	+ 9.7

Foot deodorants/athlete's remedies

Market	Percent change vs. year ago
Boston	+28.5%
New York	+23.7
Atlanta	+16.2
Miami	+10.4
New Orleans	+ 6.6
Chicago	+36.2
St. Louis	+20.7
Dallas	+ 5.0
Denver	+51.3
Los Angeles	+10.8
Total U. S.	+10.4

Internal analgesics

Market	Percent change vs. year ago
Boston	+ 20.1%
New York	+ 21.9
Atlanta	+ 14.2
Miami	+ 19.9
New Orleans	+ 22.6
Chicago	+ 6.8
St. Louis	+ 19.1
Dallas	+ 5.0
Denver	− 10.9
Los Angeles	+ 31.1
Total U. S.	+ 7.4

Facial preparations

Market	Percent change vs. year ago
Boston	+ 8.2%
New York	+ 8.1
Atlanta	+ 8.0
Miami	+ 9.5
New Orleans	+32.3
Chicago	+39.2
St. Louis	+71.5
Dallas	+11.3
Denver	+36.0
Los Angeles	+24.7
Total U. S.	+13.1

Antacids

Market	Percent change vs. year ago
Boston	+ 22.6%
New York	+ 18.7
Atlanta	+ 17.2
Miami	+ 13.6
New Orleans	+ 22.6
Chicago	− 4.4
St. Louis	+ 18.4
Dallas	+ 5.8
Denver	− 4.4
Los Angeles	+ 9.8
Total U. S.	+ 12.1

Source: SAMI/Burke

The evolution of a marketing man

Before joining a fledgling SAMI in 1970, I was entrusted with the preparation of a vast number of marketing plans for 27 years, both as a brand manager and as an advertising agency account management executive. I must admit painfully that many of those documents were based to a large extent on "by guess and by golly."

In those days, facts and figures required to plan marketing strategy for both new and established brands were hard to come by. Often when the information did become available, it was too late because the program was already being implemented.

When I joined SAMI 18 years ago and discovered the fabulous array of facts that could be drawn on in this age of computerization, I was truly like a pig in clover.

The only trouble was that now that I had access to this vibrant database, there were no more marketing plans to write. Therefore, I have spent much of my time in the intervening years extracting nuggets of actionable data for clients to use in their marketing planning activities.

I am honored by the assignment from the editors of *Drug Store News* to prepare a monthly column reporting on H&BA facts and figures drawn from the SAMI data bank. Where appropriate, comparisons of trends in drug and food stores will be made. In addition, other future articles will focus on important differences in trends among the 54 major SAMI markets.

Articles will deal with the broad picture, as well as with important sub-segments, which is often where the action is.

DrSN study: HQ to store managers—Can we talk?

Continued from page 1

Headquarters execs can wink at these differences knowingly, recognizing they speak the party line and store managers, who must execute daily for customers, are on the firing line.

Or they can recognize that familiar pain in the back of the head that comes from knowing they've tried unceasingly to communicate what needs to be done in stores and to enforce such practices.

At SupeRx, based in Phoenix, an LBO chain that is performing well, vp-operations Jerry Ray says compliance isn't black and white. He noted, for example, that a display may not be precisely where headquarters indicates, but if it's up and close to spec, that is usually acceptable. "If it's a co-op display, the vendor often monitors. If a vendor is paying, we make sure it is done according to plan," Ray said.

In other matters, store managers set seasonal displays, rebuy for their stores (determining amounts but not item selection), and speak often and loudly to headquarters on overall pricing. However, staff training is uniform and managers have little say there.

So, gray areas abound, lines aren't often well defined in this trade and readers each have their own approach. Yet it is clear from survey findings—and separate interviews that shed light on their dramatic contrasts—that the chain drug industry is run more by store managers and field supervisors than has been recognized.

Certainly, the autonomy of Longs store managers, and that chain's longstanding posture as a solid performer, is legend. It appears that Osco, through the recruitment of Dick Scott, who had been Longs' third-ranking executive, may be moving in this direction.

And the influence of field people at other chains nationwide is mounting. On this there is widespread agreement. Exactly half of headquarters executives (vps and directors of operations, and district and regional supervisors) surveyed felt that store managers have gained more decision-making powers during the past two years, and 45 percent of store managers concurred. Notably, six in 10 headquarters execs felt this will continue through 1991, and just 43 percent of store managers interviewed felt

Continued on next page

Store managers enjoy greater autonomy since 1986

(percent agreeing)

Field supervisors	60%
Operations execs	40
Store managers	45

. . . and should have more through 1991

Field supervisors	50%
Operations execs	70
Store managers	43

Source: Lebhar-Friedman Research

***Note:** The identity of survey respondents is confidential information. The executives quoted in our coverage were interviewed seperately to augment the survey's findings.* —**Ed.**

Susan Ball, field editor, and Christine Bizzarro, editorial assistant, provided research assistance for this article.

> *'Perry is moving that way [towards more decision-making responsibilities in the field] in all areas. In terms of expanding product, customer care, pricing, they are given flexibility. In effect, we've told the store managers, 'you are running your own ship, within limits.' If they have to bend or ignore a policy to please a customer, that is okay.'*
>
> **—Berl Falbaum**
> vp
> Perry

Store managers get "very involved" in . . .

(% agreeing)

	Field supervisors	Operations execs	Store managers
Merchandising endcaps	60%	60%	68%
Merchandising checkstands	40	40	55
Merchandising OTC/Rx	70	—	40
Developing overall store planogram	40	10	25

Source: Lebhar-Friedman Research

Store managers change product facings and positions more often than headquarters execs think they should

(in percent)

	Field supervisors	Operations execs	Store managers
Store managers can change at own discretion	70%	20%	65%
Must check with headquarters first	30	40	28
No changes allowed at all	—	40	8

Source: Lebhar-Friedman Research

Store managers change prices more often than headquarters execs think they should

(in percent)

	Field supervisors	Operations execs	Store managers
Store managers can change prices at own discretion	40%	10%	30%
Must check with headquarters first	50	40	45
No changes at all	10	50	25

. . . yet generally agree on why price changes might be needed

(asked of "check first" group)

	Field/operations	Store managers
To meet prices of local competition	86	83
To "push" an overstocked brand or product	64	83
To attract customers	64	67

Source: Lebhar-Friedman Research

Methodology of the study

This exclusive *Drug Store News* study, "The Role of Field Supervisors and Store Managers," was undertaken to explore the overall autonomy and decision making authority of store managers at many of the nation's 100 largest drug chains.

Questions also focused on perceptual differences between store managers, field supervisors, directors and vps of operations regarding the degree of independence at store level.

Telephone interviews were conducted in June by professionally trained staff, under direct supervision of Lebhar-Friedman Research, the market research arm of *Drug Store News's* parent company.

Sixty interviews made up the study. These included 10 vps or directors of operations and 10 district and regional managers, from mutually exclusive chains. For each of these "headquarters" interviews completed, L-F Research also interviewed two different store managers of the same drug chain, adding 40 store manager interviews.

In all, 20 chains, among the 100 highest-volume chains in the U. S., are represented in the study.

Creative displays earn rewards for store managers and staff

(percent of respondents)

	Total headquarters	Store managers
Recognition in a company newsletter, store sign or ad	65	95
Bonus incentive from headquarters	76	64
Bonus incentive from manufacturer	53	55
Time off with pay	18	14
Contests for trips, prizes	24	9
Gift and dinner certificates	6	5

Source: Lebhar-Friedman Research

Study: Role of store managers and field supervisors

So what do *you* think?

Drug Store News invites reader comments on this inaugural study. We'd like to hear from headquarters execs, field supervisors and store managers.

We are always interested in hearing how chains build continuity in operations, and how they allow for greater field management autonomy.

Did you find our survey results enlightening, or think they don't apply to you? What surprised you or bugged you? Drop us a note and tell us why. Write to Al Heller, executive editor, *Drug Store News*, 425 Park Ave., New York, N. Y. 10022.

Highlights of the study

- **Decision-making authority of store managers has increased** the past two years, said half of headquarters execs and 45 percent of store managers surveyed. This will continue the next three years, said 60 percent of headquarters execs and 43 percent of store managers.
- Of store managers who reported increased autonomy, 61 percent favor it completely and 33 percent somewhat.
- 65 percent of store managers and 70 percent of field supervisors agree that **store managers can alter planograms at their own discretion.** Only 20 percent of vps and directors of operations concurred. Indeed, 40 percent of operations execs said no changes are allowed under any circumstance; only 8 percent of store managers felt this way.
- 30 percent of store managers and 40 percent of field supervisors agree that **store managers can change prices at their own discretion.** Only 10 percent of vps and directors of operations concurred. Indeed, 50 percent of operations execs said no changes can be made at all; only 10 percent of field supervisors and 25 percent of store managers felt this way.
- Determining size of full-time staff is in their domain, said 45 percent of store managers surveyed; no operations execs agreed, but 30 percent of field supervisors did. Similarly, 58 percent of store managers said they alone determined size of part-time staff; no operations execs agreed, but 50 percent of field supervisors did.
- Headquarters encourages store managers far less than they would like to involve vendors in merchandising. As an example, 33 percent of store managers felt encouraged to let vendors re-order or replenish shelf stock; 77 percent of store managers favor this active role for vendors. Also, 40 percent felt encouraged on product sampling; 88 percent favor it.
- The three most frequent criteria for calculating store managers' and field supervisors' bonuses are percent of profits, overall gross margin and expense controls, said operations execs.
- 95 percent of store managers report warehouse deliveries at least once a week.
- Stock clerks are also trained to be cashiers, said 93 percent of store managers, and back-door receivers, said 73 percent.
- Store managers estimate their unplanogrammed swing space to be 22 percent of total selling footage.
- When advertised goods are out of stock, issue a rain check rather than sell substitute product, agreed 63 percent of store managers and 60 percent of headquarters respondents.

Continued from page IP27

that.

Naturally, operations execs see this coming. They understand the growing importance of regional marketing, which relies heavily on the knowledge of local areas and people held by store managers and regional supervisors.

This survey breaks ground in demonstrating that even in the most rigorous disciplines of store operations, field people have a very big say.

As an example, two out of three store managers felt they could change facings and positions of products at their own discretion; 70 percent of field supervisors agreed. But just 20 percent of vps-operations felt this way.

A mere 8 percent of store managers said they they couldn't do this under any circumstance, which was the stance taken by 40 percent of vps-operations.

Three out of 10 store managers felt they could change prices at their own discretion. That contrasts with just 10 percent of vps and directors of operations at drug chains who felt this way, and 40 percent who said store managers could change prices only after checking with headquarters. At 85-store Genovese, planograms and pricing structures are enforced by district managers, vp-marketing Don Gross said. District must approve any planogram changes warranted by store demographics or pricing changes necessitated by local competition.

The approach is similar at Snyder's, where district managers must give the nod to planogram changes at a store, said Mike Pan, vp-retail operations.

Store staffing was another issue where opinions differed among survey respondents. A whopping nine out of 10 vps-operations said that store managers consult with them or field supervisors to determine needed levels of full-time workers at stores. Just half as many store managers felt this way, with an equivalent 45 percent saying they can staff as they need without consulting.

Part-timer levels showed a similar jarring gap: 80 percent vs. 33 percent.

Berl Falbaum, vp-corporate communications at Perry, explained that his chain repeats operations directives in many ways to be sure people understand. Frequent face-to-face meetings with store managers, memos, an in-house newspaper, and making policies and procedures clear from the start are all stressed at Perry.

"Differences (in industry-wide survey findings) stem from faulty communications. Headquarters people must be careful how they communicate. Their actions may be sending out a message that isn't what they want to convey," he said.

SupeRx's Ray summed up the need for special efforts to build compliance down the operations line to store managers: "Otherwise, you don't have consistency, then the advertising may not be supported, and there's a snowball effect on performance."

No one wants to be left out in the cold.

'We are an open company and we welcome managers' input to making decisions, although they are not there to make independent decisions. We are challenging management to be more efficient and improve productivity.'

—**Mike Pan**, vp-retail operations, Snyder's

'Upper management tends to 'live by the book,' but store managers, and to some extent field supervisors, are 'on the firing line,' and must adjust to the area they are working in. Store managers make decisions on personnel and staff training.'

—**Paul Schultz**, director of operations
Medicare-Glaser

'Any leeway a store manager might be granted should be communicated clearly, and the direction they get from the district manager is crucial. The level of competency [industry-wide] is diminishing. It is harder to get good managers since more stores are opening everyday. Beginning managers are inexperienced, and have inadequate training.'

—**Don Gross**, vp-marketing, Genovese

'Headquarters does review chainwide ads with store managers and gets lots of input. We encourage store managers to speak up. Our merchandising plans begin at store level. We make an earnest effort to merchandise stores according to local dictates. Our planograms are very, very rigid. Store managers are sent the picture, the tags, the items and are told where to put them.'

—**Jerry Ray**, vp-operations, SupeRx (Phoenix)

How chains calculate bonuses for store managers and field supervisors

(asked of vps and directors of operations at HQ—percent of respondents)

	Store managers	District and regional supervisors
Percent of profits	89%	78%
Linked to gross margin	56	44
Linked to expense controls	44	44
Percent of sales over a specified quota	22	33
Percent of salary	22	33
Percent of sales	11	22

Source: Lebhar-Friedman Research

Store managers and headquarters disagree on who determines size of store-level full-time staff

(percent of respondents)

	Field supervisors	Operations execs	Store managers
Store managers can staff as they deem appropriate	30%	—	45%
Joint decision between store managers and regional or headquarters execs	60	90%	45
Regional or chain decision alone	10	10	10
. . . and part-time staff			
Store managers alone	50%	—	58%
Joint decision	50	80%	33
Regional or headquarters alone	—	20	10

Source: Lebhar-Friedman Research

Store managers seem to favor vendor involvement more than headquarters execs

(percent of respondents)

Vendors play an active role in . . .	Percent of store mgrs. encouraged by HQ	Percent of store mgrs. who favor vendor role completely/somewhat
Supplying POP materials	68%	89%
Sampling	40	88
Reordering, replenishing shelf stock	33	77

Source: Lebhar-Friedman Research

New franchised skin treatment planogram at Dot

Beauty
Beat
Elizabeth
Parks

Dot Deep Discount Drug Stores, the 14-unit chain owned by Wal-Mart, has developed a new planogram for franchised skin treatment items.

The planogram, which was created by Gwen Batchelor, Dot's cosmetic supervisor, allocates four to eight feet in cosmetics to franchised skin treatment lines.

The section, which is now in most Dot stores, is usually located off a base in a side counter of the cosmetics department.

Batchelor says she decided to develop the section after she started to see her franchised skin treatment sales surge. She says sales for the category have been averaging 20 percent to 25 percent increases for the better part of this year.

Eye treatment brands alone are up about 20 percent in sales, Batchelor estimates.

"The cosmetics department is very important to us," Batchelor said. "It's our second most important signature department behind pharmacy, but it makes a lot more money than pharmacy. Pharmacy today has gotten so competitive that it's almost impossible to make any money on what you dispense. But cosmetics is a money maker for us. Many of the items we sell have gross margins in excess of 40 percent and 50 percent, and on many items, the turns are very high.

"In this department, we look for the growth areas so we can maximize our opportunities in the category. Skin treatments have been selling so well that we decided to give the franchised brands their own section in as many stores as possible."

Batchelor says that all but the smaller Dot stores now have the treatment section. Depending on the store, the department is either within the pegged wall section in a separate shelved section, or it's on a side counter near the mass lines like Olay and Ponds.

Revlon, Almay, Factor and the other mass lines are all in the section. There is no signage for the department and no advertising, but Dot does use on-shelf signs for maximum in-store exposure.

* * *

According to a recent study by *Glamour* magazine, the majority of women who say they like cosmetics because they're "fun" or "good for their skin" or because they help them "look my best" and "create the image I want" are the most likely to use beauty products at least once a day.

In its study, *Glamour* found that the majority of women could be classified into four separate attitudinal groups: women who seldom used cosmetics, classified by *Glamour* as "plain janes" or light and infrequent users; women who stay with proven brands, classified as "conformists" or moderate users; women who are willing to try and experiment with new things, classified as "strivers" or multiple brand users; and women who are heavy users of cosmetics because they derive "a psychological lift" from them, classified as "dazzlers" by *Glamour's* researchers.

How attitudes affect the way women use beauty products

(Percentage of women using at least once a day, by attitudinal classifications)

Category	Plain Jane	Conformists	Strivers	Dazzlers
Lipstick	29%	76%	81%	84%
Blush	28	69	79	89
Foundation	23	58	51	77
Mascara	12	64	57	88
Eye shadow	6	49	54	84
Perfume	33	37	51	66
Hand/body lotion	41	64	76	82
Facial moisturizer	29	54	65	78
Hairspray	11	37	44	73

Source: Glamour Beauty Attitudes & Images Survey

What encourages women to buy beauty products

(Purchase incentives classified by women's attitudinal types)

Incentives	Plain Jane	Conformists	Strivers	Dazzlers
A lower price; no gifts or samples	55%	51%	40%	33%
Samples of new products with purchase	26	29	35	33
Samples of well known products with purchase	11	11	14	20
Useful gifts like an umbrella or tote with purchase	5	4	5	6
Discounts on special items with minimum purchase	2	5	6	6

Source: *Glamour* Beauty Attitudes & Images Survey

The study revealed that while "dazzlers" comprise about 27 percent of the total women's beauty market, they account for 40 percent of all volume sales of the 18 cosmetic and fragrance categories that were tracked.

In contrast, what *Glamour* calls "plain janes" account for 14 percent of the women's beauty market, but generate only 6 percent of the volume of the categories that were tracked.

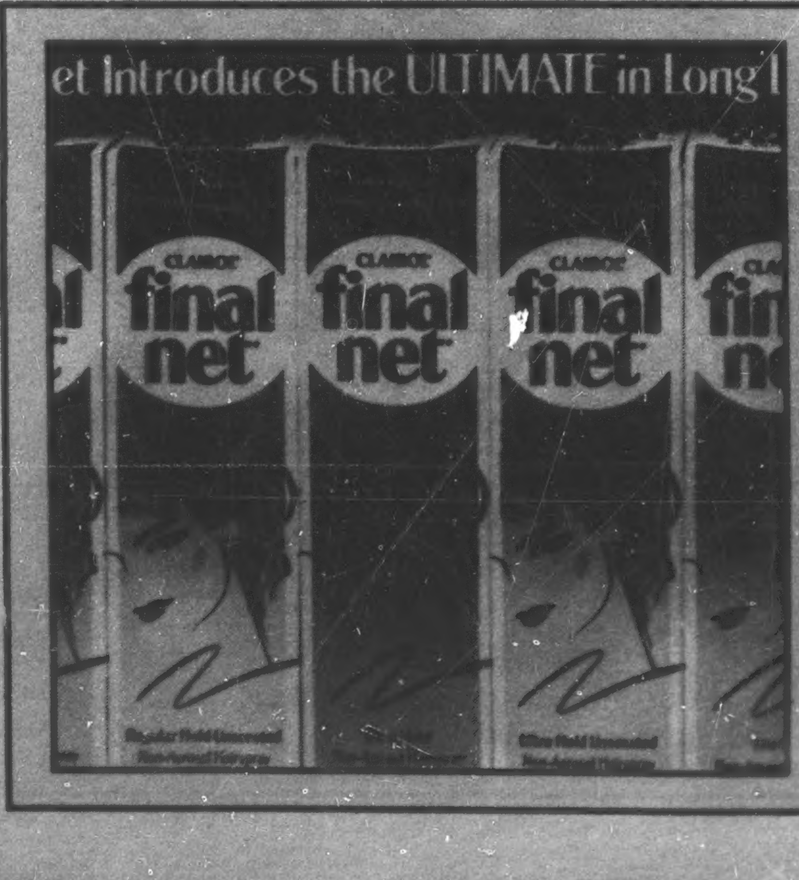
The study suggests that traditional demographics are a much less accurate predictor of market behavior for personal appearance products than attitudes.

Women showed very slight differences in usage when compared demographically by age, income, education and employment than when compared by attitudes. The differences measured demographically ranged from 5 percent to 20 percent. Measured by attitudes, the differences in volume purchases and usage between plain janes and dazzlers was as great as 60 percent to 80 percent for nine product categories identified as part of a basic, daily beauty routine.

Dazzlers, for example, accounted for 53 percent of the total volume of skin treatment products while plain janes accounted for 6 percent. Dazzlers accounted for 48 percent of the early trial volume for lipsticks and lip glosses, while plain janes accounted for 3 percent.

Glamour suggests that manufacturers and retailers try to generate incremental sales for beauty products by concentrating on changing women's attitudes, stressing positive reasons for purchase and use.

Cosmetics: Category in Motion



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SHAMPOOING NECTAR DE POMME
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CONDITIONNEUR NECTAR DE POMME
BONUS 33% MORE
FREEMAN
PAPAYA
3 MINUTE HAIR

Clairol is introducing Final Net Ultimate Hold non-aerosol hairspray, for hard-to-hold styles.

A distribution allowance is available during the introductory period. Shipping began in early August. Timed to take advantage of back-to-school promotions, the launch is being supported with print ads in leading women's magazines, as well as in daytime and late night TV ads.

* * *

Freeman Cosmetics has three new consumer value combo packs.

For a limited time, consumers who buy a 15.2-ounce Whipped Creme Shampoo will get a 6-ounce Styling and Sculpturing Gel free; with a 15.2-ounce Amino Protein Moisturizing Shampoo, they will get a 6-ounce Amino Protein Re-Moisturizing Creme free; and with a 15.2-ounce Infuse, Vitamin Hair Rejuvenator, they will get a 6-ounce Hair Styling and Sculpting Lotion free.

Freeman is also offering a special bonus sale on its Papaya and Apple hair products. The bonus sizes include a 20.2-

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Prescription diuretics still considered as 'water pills'

NEW YORK — Still considered a first-line medication to combat mild to moderate hypertension, the long-time dominance of first- and second-generation diuretics in the antihypertensive market may be threatened as a result of recently-published studies promoting the efficacy of some newer third-generation diuretic products.

While many of today's diuretics are presented in the literature as antihypertensive agents specifically indicated in the lowering of blood pressure, many physicians still turn to older first- and second-generation diuretics ("water pills") when a medical condition is diagnosed as edema or an abnormal retention of water or electrolyte metabolism.

Since the 1950s, diuretics have been used to decrease the amount of water in the body by increasing the flow of urine. In the course of doing so, they often cause the body to excrete dissolved metabolites such as potassium, sodium, calcium, magnesium or bicarbonates. In general, they should be prescribed with caution to persons with diabetes, gout, kidney disease, and liver disease, and those currently taking lithium. Anyone who is on a special diet, pregnant (or hoping to become so) or nursing should also use diuretics with a degree of caution. Because they tend to cause sodium retention and may therefore interfere with the action of diuretics, ibuprofen and other non-steroidal anti-inflammatory drugs should not be taken concurrently with diuretics.

Antihypertensive trends in U. S. retail market

(Initial therapy percents, 2,000 new patients)

	1984	1987
Hypotensives w/ diuretics	2.1%	1.2%
Hypotensives	5.3	5.9
Ace inhibitors w/wo diuretics	0.6	8.8
Beta blockers w/wo diuretics	28.6	28.5
Thiazide diuretics	20.5	14.1
Potassium-sparing diuretics	24.9	24.3
Loop diuretics	11.5	11.2
Others/combinations	6.5	6.0

Source: Prescription Data Service

Diuretic categories

Antihypertensive-saluretic products are analogs of thiazide. These are most frequently prescribed for hypertension, but also for edema associated with congestive heart failure and renal failure. Common side effects of the products are constipation, dizziness, fatigue and restlessness.

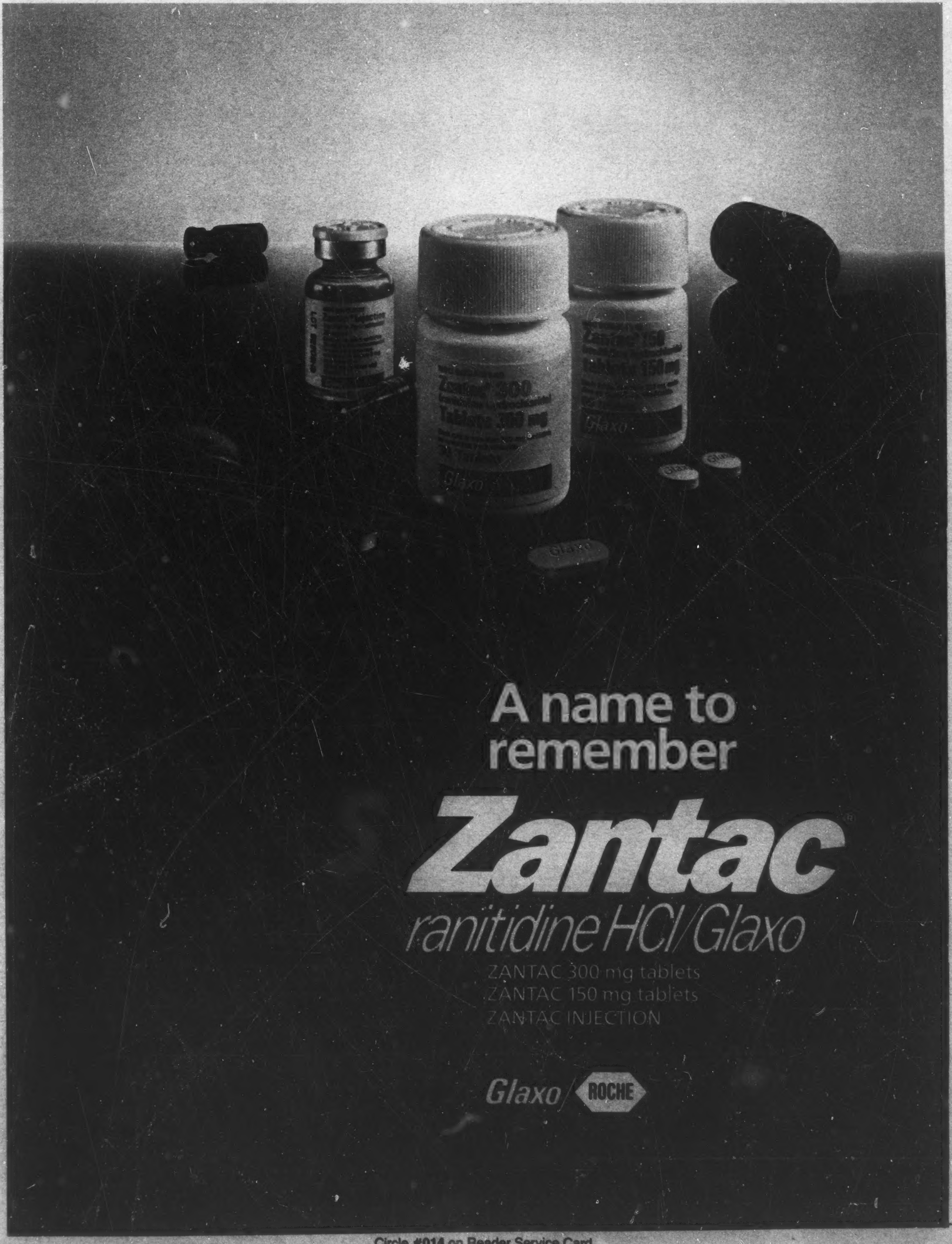
Carbonic anhydrase inhibitors. Causing sodium bicarbonate diuresis, these products are indicated for glaucoma, urinary alkalization, reduction of total body bicarbonate stores, acute mountain sickness and in some cases in the treatment of epilepsy and contraindicated for hepatic cirrhosis. Hyperchloremic metabolic acidosis caused by bicarbonate wasting, renal stone formation, renal potassium wasting, drowsiness and paresthesias have been cited as side effects of the drugs.

Loop diuretics are short-acting absorption inhibitors which produce the strongest effect. They are indicated in the treatment of acute pulmonary adema, refractory edema, hypercalcemia, electrolyte disorders, acute renal failure and hyperuricemia. Side effects produced by drugs in this category include tiredness, depletion of potassium, calcium and magnesium and ototoxicity.

Monosulfamyls are long-acting thiazide-like diuretics. Usually used in the management of hypertension, the products are also used for edema associated with congestive heart failure, hepatic cirrhosis and corticosteriod and estrogen therapy. Depletion of potassium, hyperuricemia, constipation, dizziness and headache are common side effects of the category. Chlorthalidone ia a commonly prescribed drug.

Potassium-sparing drugs, as the name implies, produce water-reducing effects without depleting potassium supplies. Nausea and vomiting, stomach cramps, diarrhea and impotence are side effects of the category. Commonly prescribed drugs are Searle's Aldactazide (spironolactone with hydrochlorothiazide) and Aldactone; SmithKline & French's Dyazide (triamterene with hydrochlorothiazide 50/25; Dyrenium (triamterene with hydrochlorothiazide); and Maxide (triamterene with hydrochlorothiazide). Midamor (amiloride HC1) and Moduretic (amiloride HC1-hydrochlorothiazide) both made by Merck Sharp & Dohme.

Thiazides and combinations are used primarily to control hypertension and are also prescribed for congestive heart failure, idiopathic hypercalciuria and nephrogenic diabetes insipidus. They are contraindicated for people with hepatic cirrhosis and their overzealous use may cause renal insufficiency. Side effects associated with drugs in the category include weakness, fatigability, paresthesis, impotence, potassium depletion, hyperuricemia.



Circle #014 on Reader Service Card

Regular visits irregularly useful: detailing study

Pharmacists would be happier with those expensive calls if branded reps would advise them on counselling, adverse reations

NEW YORK — Most branded pharmaceutical manufacturers' reps are making a concentrated effort to visit pharmacies nationwide at least once every two months to detail pharmacists on new products and existing product lines.

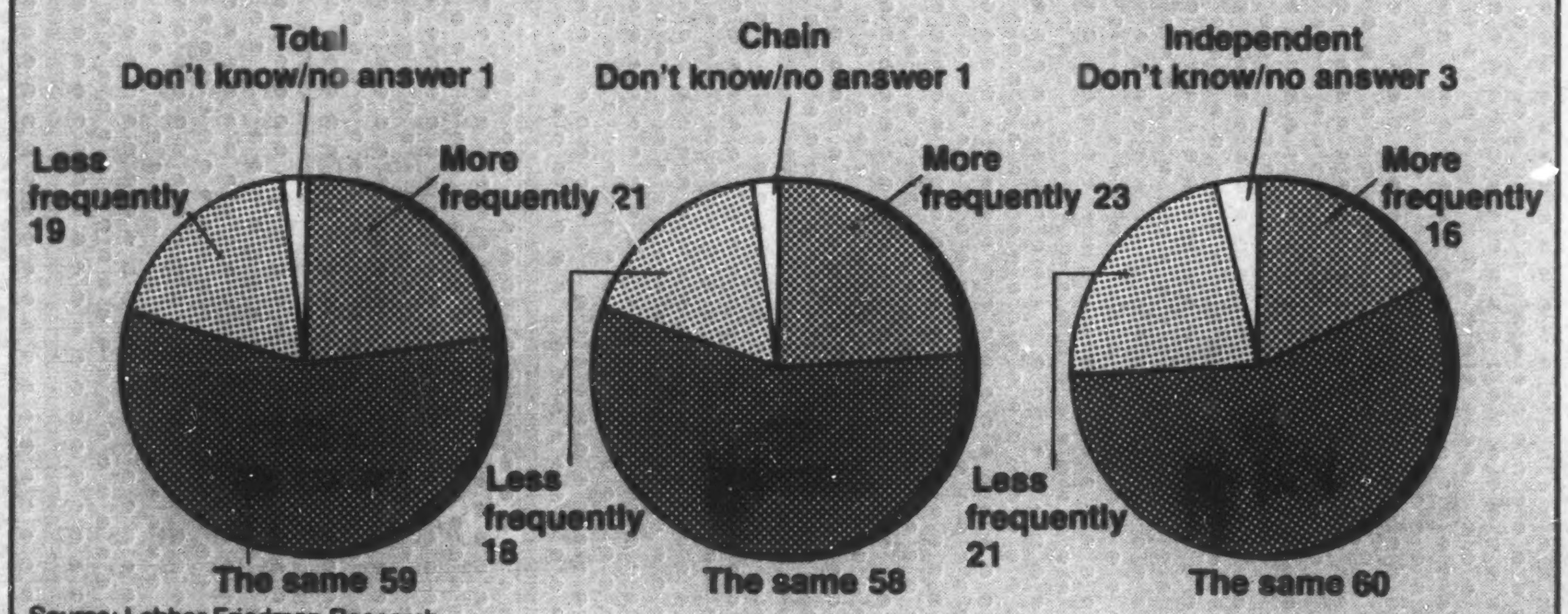
Although the cost of an average sales call, according to McGraw-Hill Research, stands at an expensive $229, up 12 percent over the last year, many branded manufacturers still feel that the personal store visit is one way to stem the tide of generic substitution and keep pharmacists informed about their product lines.

However, according to the *Drug Store News/Inside Pharmacy* 1988 Detail Study, while reps are making their store calls rather regularly, the retail pharmacists surveyed said that the company reps are still not providing the information that pharmacists really want during each visit.

What information pharmacists would like to receive vs. information they currently receive

	Info pharmacists would like to receive	Info pharmacists currently receive
Warnings about possible adverse reactions	83%	34%
Warnings on possible drug interactions	81	22
Instructions for advising patients on how to use product	80	52
Information about how this product is unique	72	48
Insight into what the manufacturer is telling physicians about this product	70	36
Information about why the cost of product is justified	57	11
Listing of product's competitive advantages	55	58
Listing of products' competitive disadvantages	52	9
If a new product, how well it did in clinical testing	38	38
Statistics on how often physicians prescribe product	17	22
All other mentions	2	1
Don't know/no answer	4	13

Source: Lebhar-Friedman Research



Desired change in frequency of visitation
(in percent)

Source: Lebhar-Friedman Research

Frequent visits

The majority (58 percent) of chain and retail pharmacists reported seeing a detail person at least once every month, with more than three-quarters saying they see a detail person at least once every two months. Only a very small group (4 percent) said they are visited by a detail person less than once every six months.

Fifty-nine percent of pharmacists said they wanted no change in the frequency of visits.

For the most part, pharmacists are satisfied with the frequency of visits. Fifty-nine percent of the pharmacists said they wanted no change in the frequency of vists, while 21 percent said they would like more frequent detail visits. Since many chains do not allow detail persons to visit individual stores, the majority of the dissatisfaction with the frequency of visits comes from the chain sector.

For those respondents who desired more frequent detail visits, major reasons cited included pharmacists' need for information on new products, and the ability of the detail person to "handle returns/overstock/outdated merchandise." A relatively small percentage (two in 10) of pharmacists believe that detail visits are "informative/keep me aware of new, current developments" while others said "they provide information on products being detailed/promoted."

Two in ten pharmacists believe detail visits are 'informative/keep me aware of new, current developments.'

Need different information

The bulk of complaints from most retail pharmacists being visited by the reps on a regular basis centered around the type of information they are receiving during the store visits.

Branded pharmaceutical companies have long recognized the need to provide information to pharmacists, but the escalating costs of an average sales call and pressure from increasing generic substitution has forced detail people to make visits even more productive. What was once a friendly visit from manufacturers' reps to primarily handle returns or overstocked merchandise and take orders on upcoming deals, has now turned into an informational visit.

Detailers now spend the majority of their store time providing the information they think is needed and wanted on their product line. The study uncovered the unfortunate circumstance that reps are not providing pharmacists with information they really want.

When pharmacists were asked what type of specific information they would like to receive, three major areas stood out. Nearly three-quarters wanted instructions for advising patients on how to use the product, almost the same amount (72 percent) said that warnings about possible adverse reactions was of primary importance, and another 59 percent said warnings on possible drug interactions were important to them.

While the majority (83 percent) of pharmacists interviewed said they would like to receive information on possible adverse reactions, only 34 percent of those same pharmacists said they are receiving that kind of information. The situation is even worse with warnings on possible drug interactions. Out of the 81 percent of pharmacists who desired this type of information, only 22 percent said they are actually receiving this information.

Of the 81 percent of pharmacists who desired drug interaction information, only 22 percent said they are actually receiving this information.

New product intros

There is no question that detail visits are an important

Continued on page IP26

Usual rate of visitation vs. desired visitation interval

Usual rate of visitation

	Total	Chain	Independent
Once a month or more	58%	56%	63%
Once every two months	20	21	17
Once every 3-6 months	15	17	12
Less than once every 6 months	4	4	3
Less than once every 6 months	2	2	2
Don't know/no answer	1	*	3

Desired visitation interval

	Total	Chain	Independent
Once a month or more	54%	55%	53%
Once every two months	29	28	31
Once every 3-6 months	11	11	10
Less than once every 6 months	1	2	1
Never	4	4	3
Don't know/no answer	1	*	1

*less than [illegible]%

Source: Lebhar-Friedman Research

MD sampling okay: 45% of pharmacists polled

*Three reasons for agreeing with physician sampling**

	Total	Chain	Independents
Saves patient money/economical for patients	42%	44%	38%
Lets patient try small amount/limited supply/ starter sample	37	29	55
To see if prescription agrees with patient/ patient can tolerate it	35	34	37

*Base: feel physicians should supply samples

Source: Lebhar-Friedman Research

NEW YORK — Calling on drug stores is only one phase of a detail person's overall job responsibilities. Of primary importance is calling on the original source of any prescription, the physician.

While a pharmaceutical representative's goal at the doctors office is offering the same kind of information on existing and new product lines many companies still leave behind "starter pack" product samples to encourage physicians to prescribe their products.

According to the *Drug Store News/Inside Pharmacy* detailing study, 45 percent of the pharmacists surveyed said that physicians should supply samples to their patients with chain pharmacists agreeing to sampling at a slightly higher rate (47 percent vs 41 percent).

The pharmacists centered their reasons for sampling around three main themes: it saves the patient money, it is just a limited supply and does not represent the full prescription, and to see if the prescription given by the physician agrees with the patient.

But sampling has been a sore point for many pharmacists. According to the study, most believed that sampling "eliminates the checks and balances provided by the pharmacist." Others said that sampling "leads to drug diversion and other illegal channels of distribution" and still others insisted that sampling "competes with my business."

Detail visits important for new product information

Continued from page IP25

way for the branded pharmaceutical manufacturers to convey information to the pharmacist on existing products in their line, but according to pharmacists, the detail visit is particularly important when it comes to information on new product launches.

The pharmacists were asked what information they thought was "extremely important" in their decision to take on new prescription products. More than half (53 percent) said the product should be readily available.

Fifty-three percent of pharmacists felt new products should be readily available.

It is common practice by many pharmaceutical companies to introduce their product before it is actually available directly from the company or through a drug wholesaler. Detailers will often detail the new product to physicians first and then visit the pharmacies to make sure the product is stocked properly. What happens many times is that the demand becomes greater than the supply, and pharmacists are not able to fill physician's prescriptions for the product. This has a negative effect on product movement as well as pharmacy-customer relationships.

When a new product is not in stock in one pharmacy the consumer will normally shop around to find it instead of ask-

Continued on page IP27

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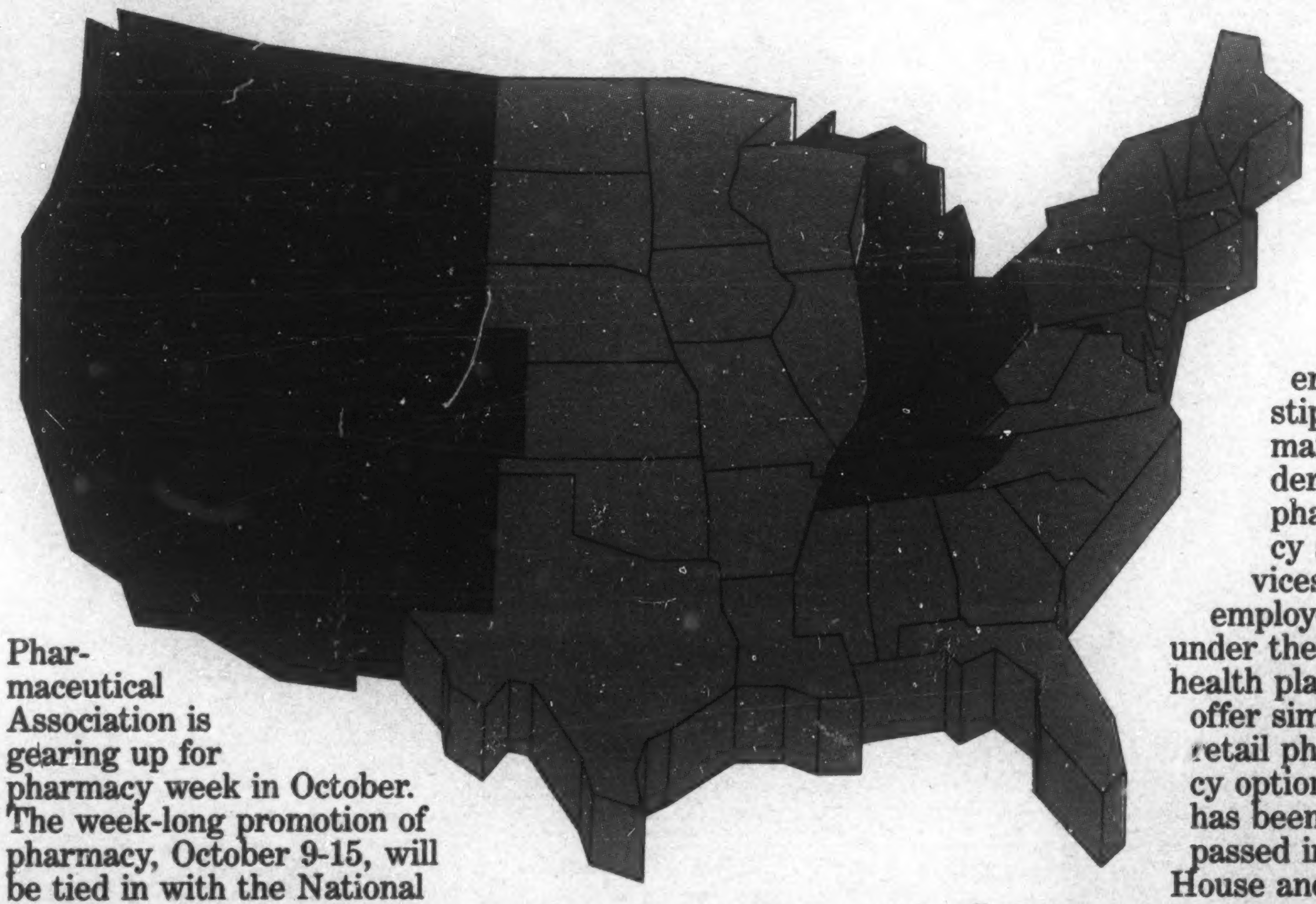

Western Region

Arizona — Daniel Boesen has been named executive director of the Arizona Pharmacy Association. Prior to the appointment, Boesen served as director of Arizona operations for Project Hope. He succeeds Warren Ellison, who has retired after 10 years of service.

California — Robert Johnson, California Pharmacists Association executive vice president, was awarded the American Pharmaceutical Association's 1988 Hugo Schaefer Award.

The Schaefer award recognizes outstanding service to the pharmacy profession and to society as a whole.

West Central Region

Illinois — The Chicago Department of Health is appealing to pharmacists for their help in educating physicians and patients about the best drug to use in the treatment of resistant gonorrhea strains.

The health department issued an infectious disease update regarding nine cases of infection with spectinomycin resistant Neisseria gonorrhoeae (SRNG), and 399 cases of infection with resistant penicillinase producing Neisseria gonorrhoeae (PPNG).

The department and the Centers for Disease Control recommend ceftriaxone as the first choice for initial treatment to prevent the resistant strains from spreading elsewhere.

Oklahoma — The Oklahoma Pharmaceutical Association is gearing up for pharmacy week in October. The week-long promotion of pharmacy, October 9-15, will be tied in with the National Council for Patient Information's campaign to discuss prescriptions before taking them, said John Donner, the association's executive director.

Minnesota — The Minnesota State Pharmaceutical Association has not given up the fight for open access legislation in the state. Proposed legislation, which would allow any pharmacy to participate as providers to managed health care networks, was not "favorably seen" by managed health care organizations, according to William Bond, the association's executive director.

Wisconsin — SERV-U Pharmacies IPA, Inc., which operates 20 pharmacies in the Milwaukee area, has signed an exclusive contract with Associates for Health Care, Inc. to provide pharmacy services and prescriptions to its over 16,000 participants. The contract was formerly held by Walgreens.

Southeastern Region

Florida — The Jack Eckerd Corp. has donated $20,000 to the Southeastern College of Pharmacy. The donation is part of the chain's $100,000 pledge to the new private pharmacy school being established in Southern Florida.

The Florida Pharmacy Association will continue its efforts to pass a bill requiring adult congregate facilities to employ a consultant pharmacist.

James Powers, executive vice president for the association, said the facilities, designed for adults who can care for themselves, are often not run by health professionals.

Louisiana — Legislation that would require employers who stipulate mail order pharmacy services for employees under their health plans to offer similar retail pharmacy options, has been passed in the House and the Senate.

According to the Louisiana Pharmacists Association, Johnny Glover, sponsor of the legislation, a freshman representative and pharmacist, has been a strong supporter of pharmacy issues in the House.

Mississippi — The Mississippi Pharmacists Association had its official dedication of its new offices last month. The headquarters, financed by $350,000 raised through its membership, includes new offices and an auditorium which seats over 100.

Georgia — Drastic cuts in the state's Medicaid program, which would reduce the reimbursement rate to drug stores for prescription drugs, continue to be opposed by the Georgia Pharmaceutical Association. The Georgia Retail Association, NARD and other industry associations are working with the group to fight the cuts.

Midwestern Region

Michigan — The Michigan Pharmacists Association will conduct a study of third party prescription drug programs. A task force will meet this month to begin developing a "white paper" on third party changes impacting pharmacy. The study is expected to cost over $25,000.

Kentucky — A bill sponsored by the Kentucky Board of Pharmacy, which would require licensure of out-of-state pharmacies mailing business into Kentucky, has been stalled. The bill, which passed the Senate, ran into opposition from The American Association of Retired Persons. The group was successful in routing the bill to a committee more receptive to AARP's influence.

Eastern Region

New York — The Empire State Pharmaceutical Society has received over $60,000 in its drive to create a $200,000 legal fund.

The fund will be used to benefit New York state pharmacies in legal battles against the Department of Social Services and third parties, according to Jerome Sager, executive director and counsel to the society.

Maryland — Gregory Wood has become the executive director of the Maryland Pharmacist Association. Wood was formerly the chief executive officer of the Missouri Pharmaceutical Association.

Rx'ers seek diverse detailing info

Continued from page IP26

ing the doctor to change the prescription for a more readily available product. When it becomes evident that no one in the area is stocking the product, the physician will change the prescription to another product. Until the product becomes available, all sales are lost. Even worse, one pharmacy may not have the product in stock but another pharmacy received a small supply. The starter prescription is filled and a potential customer is lost.

To prevent this scenario from happening, pharmaceutical manufacturers assure that product is on pharmacists' shelves by shipping a "starter piece" to each store willing to accept such automatic shipments. According to the study, 58 percent of the pharmacists said that they will accept automatic shipments. While a healthy percentage of both chain and independent pharmacists accept automatic shipments, the percentage is higher among the independents (65 percent vs. 54 percent). But the figure for accepting automatic shipments among the chains is dramatically higher than last year. In 1987, only 29 percent of chain pharmacists surveyed said they accepted automatic shipments of new products.

Other areas considered extremely important in taking on new products include, in decreasing order, the uniqueness of the product, frequency of detailing, price, profitability and physician sampling.

The survey revealed that pharmacists purchase their prescription drugs from a variety of sources, and in most cases from a combination of several. Ninety-two percent of pharmacists surveyed sampled purchased prescription drugs directly from drug wholesalers, while 54 percent purchased from manufacturers, and 6 percent (primarily chain stores) purchased their prescription drugs from the warehouse inventory only. Numbers add up to more than 100 percent because of multiple answering for those pharmacists who used a combination of purchasing methods.

Cite hospital for mishandling Rx'er's patient records

ALBANY, N. Y. — The New York State Department of Health has cited Westchester County Medical Center for deficiencies in handling a patient's medical records. The records were those of a pharmacist who underwent HIV antibody testing at the hospital and later applied for a job as a staff pharmacist there.

The pharmacist tested positive on an HIV antibody test administered in 1985 at the medical center's Infectious Disease Clinic, indicating he carries the AIDS (acquired immune deficiency syndrome) virus. In 1986, he applied for a pharmacy position at the hospital and went in for a preemployment physical examination at the center's Employee Health Clinic. *[See story in* Drug Store News, *Feb. 1, 1988 issue.]*

In a Statement of Deficiencies, the Health Department cited the hospital as maintaining "ineffective and inadequate patient medical records, confidentiality policies and safeguards," according to Frances Tarlton, associate director of public affairs for the Health Department. With regard to confidentiality, the Health Department said the pharmacist's medical records in the Infectious Disease Clinic were shared with the examining physician at the Employee Health Clinic, without the patient's consent.

"The Patients' Bill of Rights ensures the confidentiality of medical records," Tarlton said. Such records are to be shared "only by those directly attending the patient."

The preemployment examination "was not a treatment situation," Tarlton said.

Barry Bowman, director of media relations at the medical center, said, "The medical center has responded to each and every allegation made by the Health Department."

While the hospital is "clarifying its procedures and tightening some wording and protocols that might have been somewhat ambiguous," Bowman said, "We maintain that he [the patient] received certainly adequate patient care and that his confidentiality was not breached."

Tarlton stressed that the Health Department's action "has nothing to do with" ongoing hearings the New York Department of Human Rights is conducting into the pharmacist's claims of discrimination and breach of confidentiality against the medical center. The pharmacist, using the pseudonym John Doe, claims the hospital discriminated by denying him a job as a pharmacist based on the positive HIV tests. He further claims the sharing of his medical records with other personnel within the institution constituted a breach of confidentiality.

Tarlton said the deficiencies statement, which was issued in July, would delay the Health Department's decision on the medical center's pending application to become a designated AIDS care center. A final decision on that application "will be delayed until the resolution of this incident," she said.

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SuperD buyout to spur unit growth
– Page 3

Special report: Ethnic H&BA
– Beauty Trends, page

DRUG STORE NEWS®

Vol. 10/No. 18 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Sept. 12, 1988

Revco's financial performance

(In millions of $, fourmost recent reporting periods)

	FY '88			FY '87*
	1st qtr.	2nd qtr.	3rd qtr	
Net sales	$522.8	$538.4	$600.3	$991.2
Operating profit	17.1	16.8	15.3	41.3
Interest expense	34.5	33.9	32.7	64.7
Net loss	16.4	17.1	17.4	21.9

*For five-month period from 12/30/86 to 5/30/87, reflecting shift to new fiscal calendar.
Source: Company reports

New credit package gives breathing room to embattled Revco

By James Frederick

TWINSBURG, Ohio — The U. S. Bankruptcy Court in Akron, Ohio has approved a new $145 million credit package for Revco D.S., freeing up bank loans that will enable the embattled chain to stock its stores for the fall and Christmas selling seasons and beyond. In an unusual twist, the new credit agreement gives special consideration to all Revco vendors who extend normal payment terms to the chain.

The agreement, which was approved by the court Aug. 23, gives Revco both a carrot and a stick with which to lure its suppliers back into the fold. Under its terms, all trade creditors who extend customary payment terms to Revco after the company's July 28 Chapter 11 filing will be given the same super-priority claim and lien as the bank group providing the new financing. Revco executive vp-marketing Jim Adamson called the plan "the strongest possible incentive for Revco vendors to offer customary payment terms."

Vendors who continue to insist on a cash-on-delivery pay-

See **Revco,** *page 53*

Chain's woes leave buyers and vendors in a cautious mood

Revco's fiscal crisis has sent cautionary ripples throughout the retail and financial communities, but its effects are unlikely to significantly cool the romance between suppliers and retailers.

That is the conclusion drawn from talks with vendors and chain drug buyers in the weeks following Revco's retreat into the shelter of bankruptcy court. Although vendors say they are sobered by the problems they've encountered with the giant drug chain, most say it won't have a lasting effect on the relationship between drug chains and manufacturers.

"I don't think it's really had a bad effect on the rest of the industry," said

See **Ripples,** *page 53*

FoxMeyer boosts reach with Louis Zahn takeover

Terms and reasons for sale not disclosed

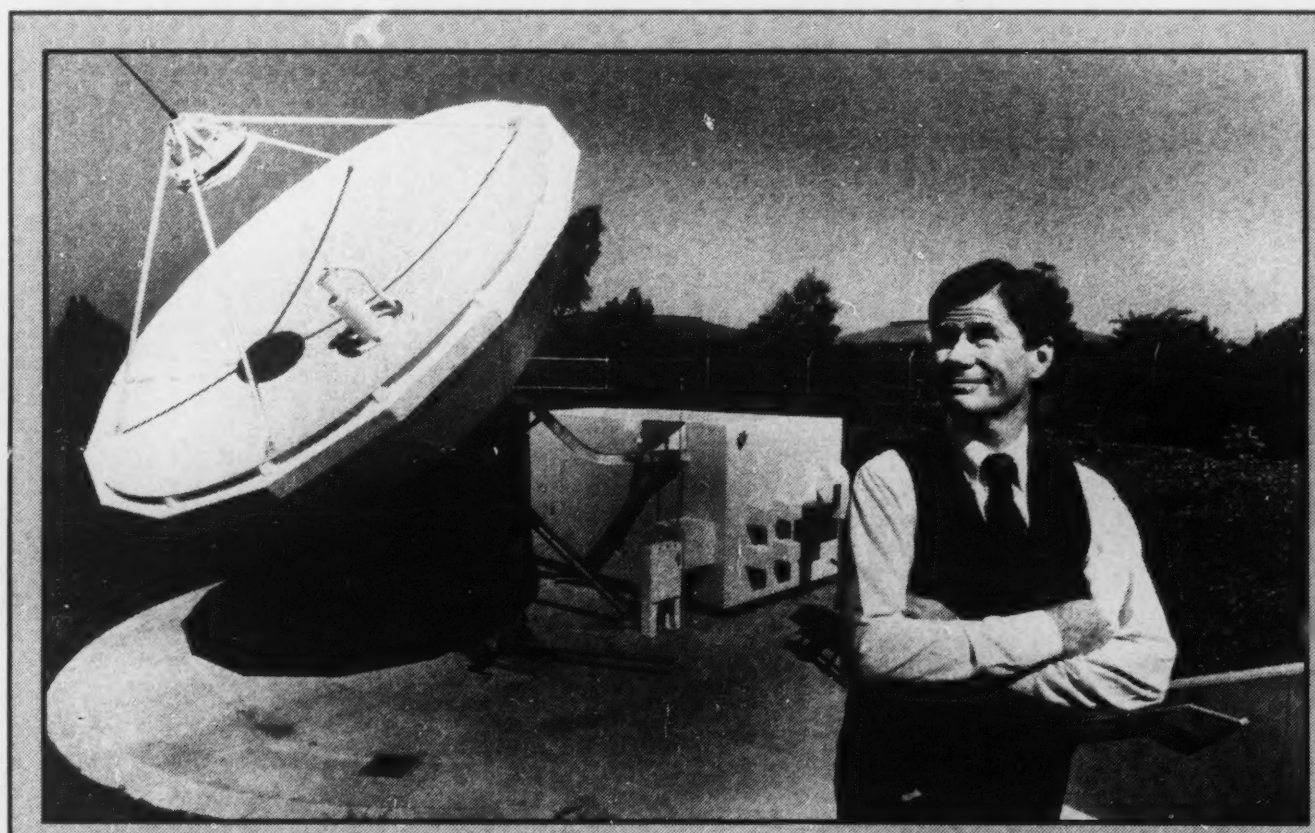
Mel Zahn

MELROSE PARK, Ill. — National InterGroup Inc., parent company of FoxMeyer Drug Co., has bought out Louis Zahn Drug Co., one of the Midwest's last major regional drug distributors. Purchase price for the privately-held Zahn was not disclosed.

The Aug. 25 deal extends the takeover fever and consolidation which has gripped the wholesale drug industry since the early 1980s, and solidified FoxMeyer's position as the nation's third-largest drug distributor. An aggressive takeover specialist, FoxMeyer has grown rapidly over the past five years, with net sales of $2 billion in its most recent fiscal year and drug distribution centers throughout the Midwest, South and Rocky Mountain region. It also operates the Health Mart and Ben Franklin chains on a franchise basis.

National Intergroup chairman and ceo Howard Love called the acquisition "part of FoxMeyer's strategy to concentrate on growing and strengthening its core drug distribution business," and said Zahn "provides an excellent opportunity for FoxMeyer to improve its presence in the important Chicago market and surround-

See **FoxMeyer,** *page 53*



John Fitzgerald, McKesson Drug vp-information services, headed the $5 million project that produced this new earth station near Sacramento, Calif., linking the wholesaler's nationwide network of DCs via the GSTAR communications satellite.

McK in orbit over DC satellite link

SAN FRANCISCO — When a major Illinois Bell switching substation burned to the ground May 8, leaving much of suburban Chicago without long-distance telephone service, McKesson Drug Co.'s distribution center in Romeoville, Ill., went into orbit with its new satellite communications system, the first in the drug distribution industry.

McKesson Drug's business depends on computers and a sophisticated electronic ordering system. Virtually all of its customers use hand-held order-entry devices to transmit orders to McKesson's central computer at the Drohan Data Center near Sacramento, Calif. Based on data from the retailer, the computer

See **Satellite,** *page 53*

LATE NEWS

- WALDORF, Md. — F&M Distributors began its push into the Washington, D.C. area with an opening here Sept. 1. Eight more units will follow this year.

- LIVERPOOL, N. Y. — Fay's Drug Co. has purchased a 150,000-square-foot distribution center and 21,000 square feet of office space on a 27-acre site near here in the town of Clay. The facilities will house its Paper Cutter and Wheels Discount Auto Supply divisions. The price of the complex was not disclosed.

- SALT LAKE CITY — American Stores reported net income dropped to $30.3 million from $36.5 million for the 13 weeks ended July 30. Sales increased to $4.55 billion from $3.54 billion. For the 26 weeks, net income fell to $57.3 million from $71.5 million, while sales rose to $8.15 billion from $6.99 billion.

- DETROIT — Liberty Drug and Revco failed to meet a Aug. 15 deadline for the sale of 29 Detroit-area Revco stores to the four-unit chain. Both sides are still negotiating.

Coalition sees 'ripple effect' from hike in minimum wage

WASHINGTON — Even drug stores who pay employees three times the minimum wage will face higher labor costs if proposed increases in the federal wage floor are enacted by Congress.

Citing University of Chicago economist Dr. Ronald Krumm, the Minimum Wage Coalition to Save Jobs warned lawmakers that any increase in the minimum wage will create "a ripple effect" that will ultimately raise the wages of employees already earning $11 or $12 an hour.

At press time, bills which would boost the wage floor were still pending on both sides of Capitol

See **Wage,** *page 53*

A minimum wage solution?

Ken Rankin reports on an earned income tax credit that Congress is considering to replace the controversial minimum wage.

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NEWS IN BRIEF

Trio named Longs senior vps

WALNUT CREEK, Calif. — Longs Drug Stores announced that Bill Brandon, George Duey and Dan Wilson have been named senior vice presidents. Brandon and Duey are currently vp's and district managers and have been with Longs since 1959. Brandon became a vp in 1978, and Duey in 1974. Wilson has held a number of posts including store manager and pharmacy manager since joining Longs in 1964.

Also, Richard Brooks was elected to the board to fill an existing vacancy. He is president and ceo of SFA Management Corp., San Francisco.

Longs also announced a number of other promotions: Al Arrigoni, most recently project manager-properties department, is named vp-construction projects. Jack Daleth has been named a vp, and will continue as a district manager. Dave Fong, most recently assistant director, pharamcy, is named vp-pharmacy. Petrucelli, a district manager, has been named a vp. Mike Raphel, the real estate manager for five years, has been named vp-real estate. Kyle Westover, director of training, is vp-training. Dave Sabey, formerly real estate counsel, has been promoted to assistant general counsel and assistant secretary.

3331
Big Beaver

Arbor eyes new headquarters

TROY, Mich. — Reflecting its rapid growth in recent years, Arbor Drugs is readying a move to a new corporate headquarters site this December that will more than double its central office space.

Arbor's new corporate center is a three-story building on West Big Beaver Road in Troy with 52,000 square feet of office space. It replaces both the existing 20,000-square-foot headquarters site and a nearby satellite office.

"Arbor today has 80 stores and 2,600 employees companywide, up from 30 stores and 900 employees just five years ago," noted Eugene Applebaum, chairman and president. "Our new headquarters allows us to bring together our administrative and support staff under one roof, with the flexibility for expansion."

FTC okays Vons' Safeway purchase

EL MONTE, Calif. — The Federal Trade Commission has given final approval for Vons Cos. $408 million-acquisition of 172 Southern California Safeway stores. Prior to the consent, Vons was required to divest 12 stores—nine Safeways and three Vons—which it sold for undisclosed prices to Certified Grocers, Ralphs and Hughes. To promote its new ownership of the Safeway sites, Vons ran a full page ad in the *Los Angeles Times*, promising customers price rollbacks at the acquired stores. Vons said it plans to remerchandise the Safeway stores, and in some instances, make major remodeling changes.

Fays taps Novara for P.L. marketing

LIVERPOOL, N. Y. — Paul Novara has been named by Fay's Drug to the newly created post of private label marketing manager for the drug division, Jim Wuest, vp-merchandise, announced.

Novara will be responsible for all aspects of purchasing and marketing of Fay's private label products. He previously worked for International U.S.A., Peter J. Schmitt, Pueblo International and Chatham Supermarkets, Wuest said.

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Vol. 10, No. 18 Sept. 12, 1988

Lucky Stores exits Florida as American plans combos

IRVINE, Calif. — American Stores has pared its Lucky Stores division to 352 stores in California and Nevada with the sale of Lucky's 95-store Kash n' Karry chain in Florida to Gibbons, Green, van Amerongen Ltd., a New York-based investor group.

The $305 million sale completes a plan by Lucky management made prior to Lucky's takeover by American Stores in June. Although profitable, the Florida division faced increasing competition from other combo store operators, and its sale had been contemplated for some time. The sale also helps American pay down debt following its $2.5 billion acquisition of Lucky.

The deal is subject to completion of financing arrangements by Gibbons, Green. Investors in the takeover include Ron Floto, president and chief executive of Kash n' Karry, as well as other managers. Floto stressed that the chain's current managers and employees would be kept on.

Headquartered in Tampa, the 95-unit chain includes 22 stores with pharmacies, according to Lucky spokesperson Judy Decker. It was founded in the 1940s and purchased by Lucky in 1979.

Lucky chairman and ceo John Lillie called the divestiture "a strategic move that allows us to focus all of our operations in California and adjacent Nevada markets." Lucky operates all but 12 of its stores in California.

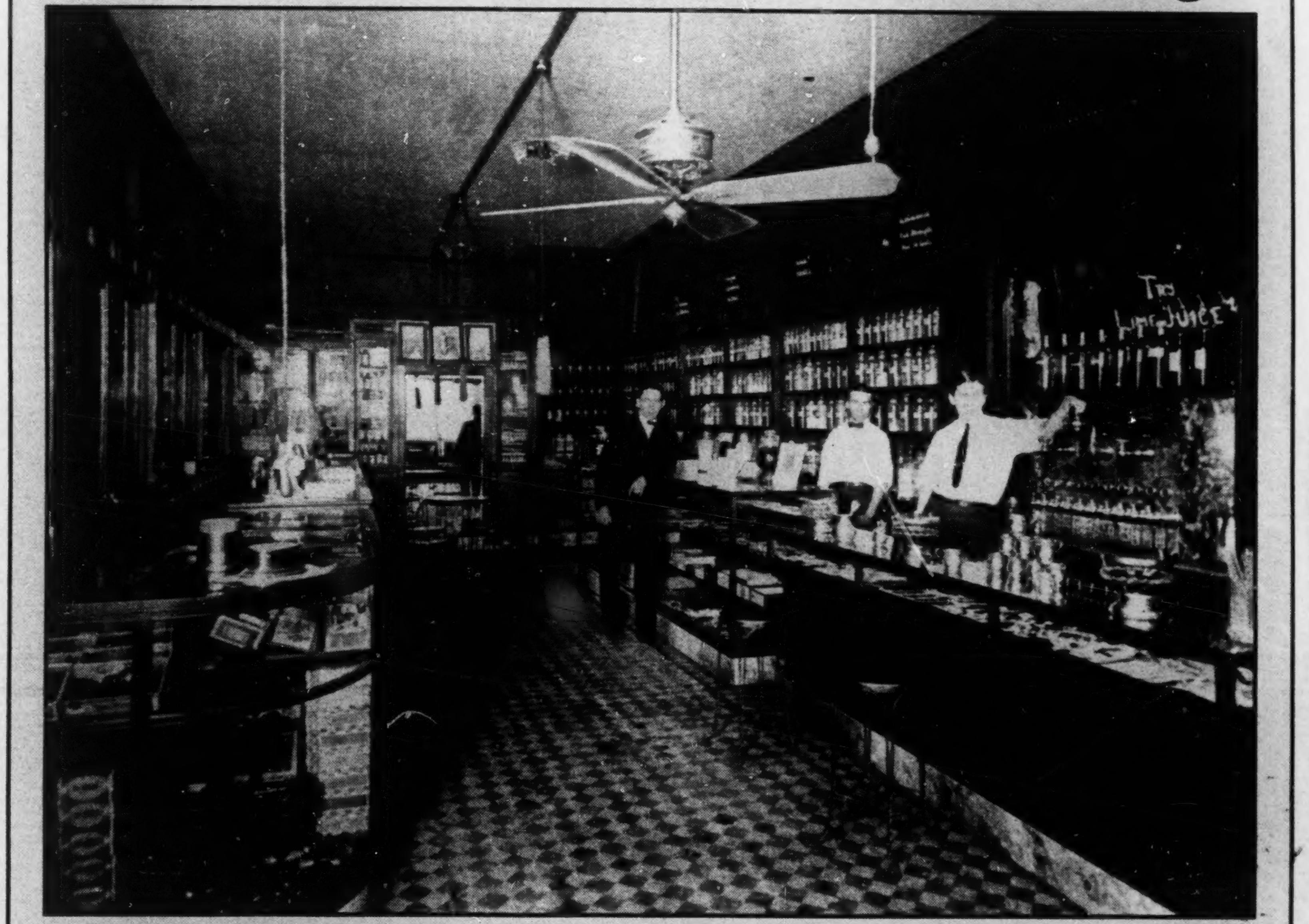
Meanwhile, American Stores is laying the groundwork for a new incursion into Florida through its American Superstores division, which operates Jewel Food Stores, Acme Markets and Star Markets and is headquartered in Wilmington, Del. A company spokesperson confirmed the chain has selected at least two sites in Tampa for construction of a new combo store prototype, with others to follow in various Florida markets.

On another front, American has capped the sale of Lucky's 38 supermarkets in Arizona to Phoenix-based ABCO Markets for $75 million. ABCO, controlled by the New York-based investment group Odyssey Partners, operates the A. J. Bayless supermarket chain in Arizona.

American has found buyers for 30 of the 37 Alpha Beta and Lucky stores it agreed to sell in California following its purchase of Lucky. The agreement is intended to satisfy FTC antitrust conditions, but it has been criticized by California's attorney general and is still under FTC review.

> *A spokesperson confirmed the chain has selected at least two sites in Tampa for construction of a new combo store prototype.*

Sixty years of drug store retailing



This interior of the first Hook drug store, circa 1900, offers customers a suggestion to "try lime juice " at the soda fountain. Mr. John A. Hook, standing in front of the counter wearing a jacket, was a 19-year-old pharmacist of German heritage when he founded the Hook Drug Co. at the turn of the century. More Hook trivia: John Hook's earliest advertising slogan was "Zero Prices" (no one knows today what that meant) and he had plans to open a drug store in New York and St. Louis, but they were never realized because of the financial difficulties in 1912.

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Special section: Ethnic H&BA

Atlanta is a natural for ethnic marketing

The entire left wall of this SupeRx store in Decatur, Ga., is devoted to a well-stocked, highlighted selection of health and beauty aids oriented towards black customers.

With this issue, Drug Store News *launches a market-by-market approach to merchandising selected categories. We believe readers will benefit by learning about the special opportunities and challenges of marketing specific products in regions where their strategies may be the most intense.—Editor*

By James Frederick

The recent Democratic National Convention shone a spotlight on Atlanta, revealing to the world a bustling, broiling metropolis in love with the notion of progress and growth. Atlanta prides itself on its leadership role as the hub of business, transportation and culture in the New South.

But Atlanta is a hub for another important reason: It is perhaps the best example of black economic and political progress in the nation. Atlanta's political establishment has long drawn much of its leadership and support from some of the nation's highest-profile black politicians, including Mayor Andrew Young and state Senator Julian Bond. The last two mayors have been black, as is the city council president and many other prominent leaders.

With some justification, the city is also called the birthplace of the modern civil rights movement. Here, just blocks from downtown, Dr. Martin Luther King, Jr. presided over the Ebenezer Baptist Church and began a crusade which transformed American society. King's burial site on Sweet Auburn Avenue—in the midst of the Center for Social Change which bears his name—remains a touchstone for the pride and aspirations of black Americans.

Atlanta also prides itself on its race relations, and on its ability 20 years ago to avoid much of the violence and upheaval that accompanied the struggles for civil rights in other U.S. cities.

Typically for this town, the decision by Atlanta's image-conscious white power structure to practice accommodation rather than confrontation in the 1960s and 1970s sprang as much from economic concerns as from social conscience. It was perceived, correctly, that what was good for Atlanta's black community was ultimately good for the economic growth and stability of the whole region.

In the end, Atlanta's business and political establishment had no choice but to open the doors to the city's growing black population. Within the city limits, nearly 70 percent of Atlanta's population of 425,000 is black, according to the 1980 U.S. Census. Of the metropolitan region's nearly three million people, at least 25 percent are black.

Those numbers translated for black Atlantans into voting power in the 1970s, and led to a larger share in the prosperity that has fueled the city's growth. Black political leaders applied pressure on local businesses, bank lenders and others for jobs, minority contracts and an end to various forms of economic or racial discrimination.

Atlanta's politicians, business leaders and citizens continue to wrestle with lingering racial tensions, unequal job and housing opportunities and a seemingly permanent underclass of unemployed blacks. Nevertheless, what has emerged here is one of the nation's largest concentrations of the black middle- and upper-middle classes.

Within the city and in well-groomed suburbs to the south and east, tidy homes and new office and retail developments testify to the growing earning and spending power of black consumers in Atlanta.

Key center for ethnic

The size and relative prosperity of much of Atlanta's black population have made the city a key center for the marketing of products aimed at black consumers—most notably ethnic-oriented hair care products, cosmetics and other toiletries.

Drug and discount chains like K mart, Drug Emporium, SupeRx, Reed Drug, Revco and Treasury have built or renovated stores in the largely black suburbs to the south and east, catering to urban and suburban black consumers with some of the largest ethnic product sections in the country.

By adjusting to local demands with larger ethnic departments, the chains have learned lessons about ethnic marketing and consumer demand that can apply to hundreds of metropolitan areas around the country. In general, what they've found is that meeting the demand for black-oriented products in largely black neighborhoods is a key image and traffic builder.

"Those are our customers, and in a market like this, where 98 percent of the customers in our store are black, we should cater to black customers almost exclusively," noted Russ Bigelow, a store manager for SupeRx. "This is a strong, nice middle-class area with a great clientele, and we're going to give our customers what they want."

In Atlanta suburbs with the largest concentrations of black consumers, Revco relies on specialty distributors to help tend its ethnic product sections.

Aggressive marketing plans:

Drug chains grapple to attract growing ethnic market in Atlanta

Led by chains like SupeRx, Revco, Reed Drugs and Drug Emporium, Atlanta's major drug and H&BA retailers have unveiled aggressive marketing programs aimed at the region's more than 600,000 black consumers.

Drug retailers have overhauled and enlarged ethnic product sections in their stores which serve a black clientele—in some cases, even in markets where 90 percent of their customers are white.

Chains are also advertising ethnic products on radio and in print to target audiences on Atlanta's largely black south and east sides, and some are co-sponsoring in-store product demonstrations and promotional events to stir up business and boost their images as leaders in black-oriented product marketing.

"We've had two or three really successful in-store events, with the reps coming in and handling an all-day promotion," said Russ Bigelow, manager of a SupeRx drug store in Decatur, just east of Atlanta. "We'll set up a table for them so they can greet customers right as they come in the door with $1-off specials and demonstrations. It's gotten a very favorable response, and we'll be doing more of it."

Bigelow's unit serves a stable, middle-class community that is almost entirely black. Thus, SupeRx chose his store for a complete overhaul early this year, in which the chain installed what may be the largest black-oriented hair and beauty care section in any U.S. drug store.

The department runs the entire length of the store from front to back, beginning with a 15-foot hosiery run that greets customers at the entrance and draws them along the wall to a 78-foot run of black-oriented cosmetics and toiletries.

Serviced and planogrammed by Harris Beauty Supply, the ethnic department in SupeRx's Decatur store features an in-line set of promotional specials, including economy-sized

Continued on page 18

Atlanta is a leader in ethnic product marketing

> *"When [wholesaler Ben] Sheftall wants to introduce a new item in the store, they'll start small and add or delete according to how it moves. We get the rep in here every three weeks to reorder and reset, and we've told him he can have more space if he can justify it."*
>
> **—Juanita Griffith**
> *store manager/pharmacist,*
> *Dunaway Drug Stores*

Continued from page 17

hair care items, twin-packs and discounted product. The promotional section is set off along the wall by overhead revolving lights, while music from a black-oriented radio station is piped in to draw attention to the department.

The store has a line of black-oriented greeting cards from American Greetings in the card section nearby.

"We've seen a big boost in sales all over the store since the remodel," said a spokesman. "There's competition in this area from a lot of chains, including Revco, Reed and Eckerd, but customers have really responded to this."

Some of SupeRx's seven other Atlanta-area units include sections of 18 to 24 feet.

Another standout performer in ethnic marketing in Atlanta has been Drug Emporium, which tailors its ethnic mix with sections that run from four to 24 feet, according to vp-merchandising Frank Shanower.

"We buy our ethnic merchandise through Harris Beauty Supply in Atlanta, and we really never have to touch it," he said. "The largest sections are filled twice a week, and we'll probably do $400,000 to $500,000 this year there with the category."

"Drug Emporium is one of the chains setting the pace here," said Mike O'Brien, vp-marketing for Harris Beauty Supply. "They've found that people buy those products not only where they live, but where they shop. They're very aware of the category and the turns they're getting, and they're able to beat everybody on price a lot of times."

In addition, O'Brien says, Drug Emporium has been one of the first local retailers to see the general migration of black consumers away from traditional black neighborhoods into other areas around the city. "The black population is shifting northward, and Drug Emporium has recognized that the black consumer is now all over Atlanta," he said. "They're telling us to look at the ethnic section and see if it needs to be expanded."

Reed Drug, the Atlanta-based division of Peoples Drug Stores, also relies on Harris to stock and service its ethnic sections. "We buy through our service program with Harris, and we give them a sufficient amount of space to do the most productive job," said a company spokesman. "They have the product knowledge and demographic studies to do a super job for us."

Reed also benefits from its corporate buying staff in Atlanta and at Peoples headquarters in Virginia, including new ethnic buyer Eric Thomas and new Peoples vp-cosmetics merchandiser Vickie Williams, who came from Shoppers Drug Mart.

In Atlanta, Reed devotes as little as eight feet and as much as 48 feet in its more than 50 local stores to ethnic, depending on location. "We've always had a major commitment to black-oriented merchandise in Atlanta," a source said.

Reed is an ethnic leader

"Reed has always been a leader here in ethnic," agreed Harris' O'Brien. "They've always been very cooperative with our efforts, and when we've got an innovation to try, we'll bring it to them first.

"In a way," O'Brien added, "we've brought other clients up to Reed's standards with a good pricing structure, monthly endcap programs, selection, tabs in Sunday flyers, that sort of thing. We've got the manufacturers tagging our stores in their ads in this market."

Harris also services some of the 25 Atlanta-area Revco stores. "We've been in a full-service test with Revco for 16 months with 30 stores, about six or eight of them in Atlanta," O'Brien said. "Another 30 stores went to another distributor.

"We've improved their pricing structure in those stores, so their margins are somewhat lower but their business has really picked up. Basically, Revco absorbed our up charge in return for higher service levels and better volumes."

One Revco store manager reported that the store was "doing a lot of business" out of a revamped 20-foot ethnic section, and said the larger section was triggering incremental sales throughout the store.

Revco isn't the only chain in Atlanta which has divided its ethnic business between two service merchandisers. Said one chain executive: "We're trying two wholesalers, one against the other. I divided the stores up between Harris and Ben Sheftall, giving each group some of our A, B and C stores so we could get an accurate read on results. One distributor gives a little better service, the other a little better price."

The retailer describes Atlanta's ethnic market as "volatile and changing," but "a real moneymaker."

Dunaway Drug Stores has shifted to Ben Sheftall in some of its 16 Atlanta-area stores, with positive results, according to store manager and pharmacist Juanita Griffith.

"They're giving us much better service than we were getting from our other wholesaler, and we've started to pull in more black trade," she notes.

Griffith manages a Dunaway store in the old Cobb Center mall in Smyrna, Ga., just northeast of Atlanta. Although the store serves a population that is about 90 percent white, Griffith said, Sheftall was able to double the size of the ethnic set in the store, boost selection and achieve better turns.

"I have confidence in the sales rep," said Griffith. "Sheftall doesn't force product down our throats; instead, when they want to introduce a new item in the store they'll start small and add or delete according to how it moves. We get the rep in here every three weeks to reorder and reset, and we've told him he can have more space if he can justify it."

Atlanta's Treasury Drug, on the other hand, has chosen to handle its ethnic sections through its corporate buying staff, rather than working through a local service merchandiser-distributor. The products are drop-shipped to the stores and then stocked by store clerks.

Nevertheless, Treasury maintains large and well-stocked ethnic sections in stores which serve black neighborhoods. For instance, in East Point, just south of Atlanta, Treasury has given black-oriented hair care products a 24-foot shelf run near the front of the store, featuring several hundred SKUs and competitive pricing.

Compared with drug chains in Atlanta, supermarket retailers have been relatively quiescent in their approach to the ethnic H&BA market. "They aren't really doing that much, and they've really been tough to crack from our standpoint," said Harris's O'Brien.

Selected H&BA categories: Comparison of annual turn rates

(All drug outlets, 1987)

Segment	Turns per year
Ethnic hair preps	4.9
Face creams	4.2
Hand lotions	4.5
Shampoo	4.6
Deodorants	4.8
Mousse	4.4
Hair spray	6.1
Home wave kits	4.0
Conditioners	4.2
Hair color	3.2

Source: Nielsen Marketing Research

Ethnic hair preparations: Comparison of annual turn rates by category segment

(All drug outlets, 1987)

Segment	Turns per year
Curl activators	4.9
Relaxers	5.5
Comb easy	5.0
Conditioners/hair dressings	4.7
Curl kits	4.1
Hair spray	4.4
Total ethnic hair preps	4.9

Source: Nielsen Marketing Research

AFRO-TIQUE HOSIERY
AFRO-TIQUE

Several chains operating in Atlanta, including Reeds shown here, offer a four- to eight-foot section of hosiery for black women.

Ethnic: Best sellers, promotions mark chain efforts

By Elizabeth Parks

Drug chains are trying to beef up sales in the still-flat ethnic category by promoting and featuring rebates and bonus packs in ads, by expanding their assortment of the best selling SKUs, and by making the department more visible in high-volume ethnic stores, usually by putting it closer to the front and giving it more promotional space within the total department.

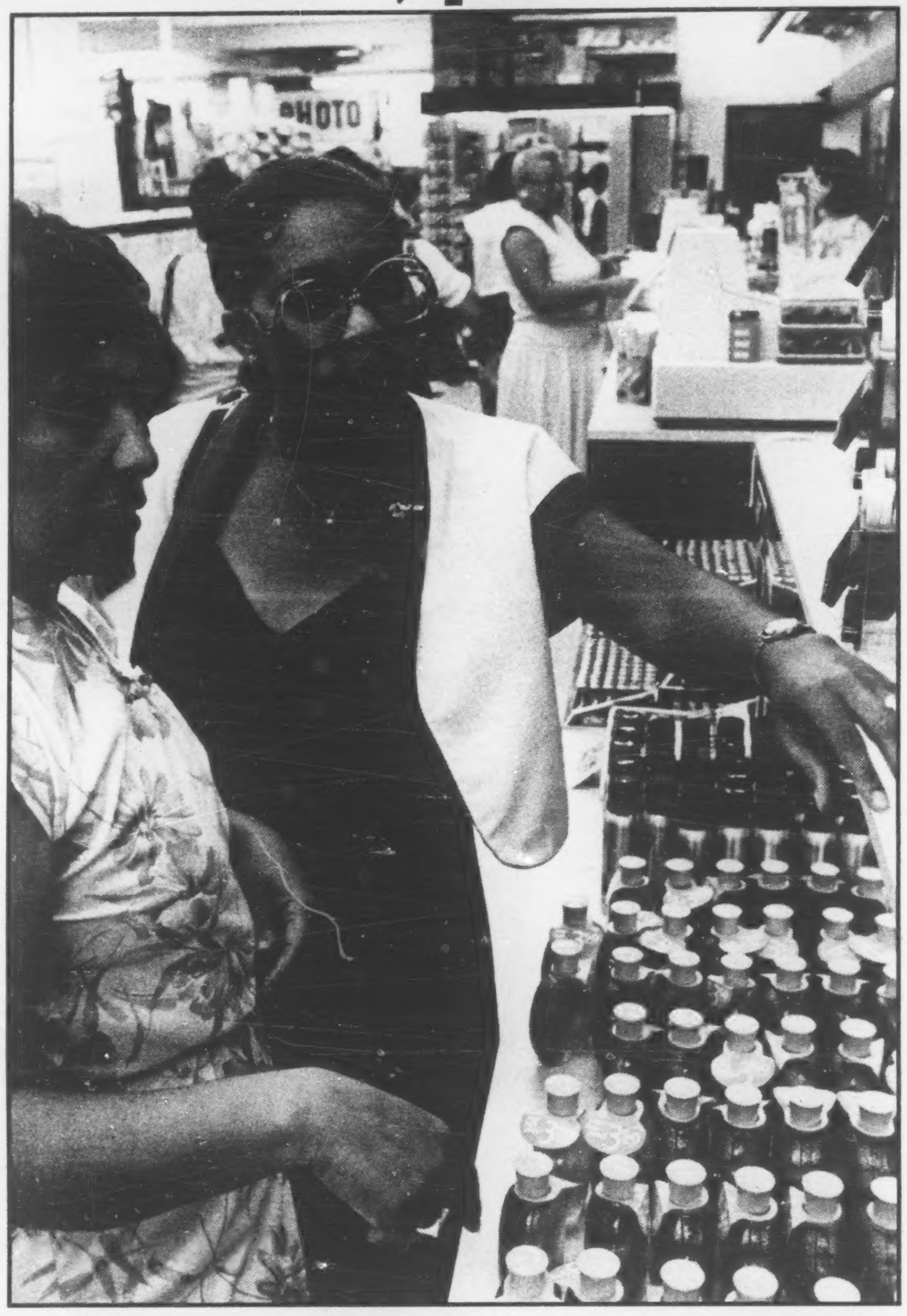
Many of the bigger chains are also getting more competitive. Several chains have lowered their everyday prices on the entire department. Others have slashed prices sharply on the more visible ethnic H&BA items, particularly their top 50 to 100 best-selling SKUs.

The space crunch

Some chains are also cutting back on their general market H&BA assortments in high-volume ethnic stores to give more space to products specifically tailored to black needs. This is especially so for such categories as hair color, hosiery, skin care and cosmetics.

As 1988 moves to a close, most buyers and distributors are still reporting that the category is flat overall in mass market stores. However, some drug chains say they are getting decent growth because of changes in merchandising, advertising, and sometimes, pricing strategies.

"The category is flat overall," says Lou Orenstein, president of Judith Lynn Beauty Supply, "because there's a vacuum in the fashion market. There's a little bit of everything out there in terms of style, but there aren't any large groups of people going for one look: the relaxed hair or the curl.



Ethnic shoppers appreciate good values. Many chains are fending off competition from food, discount and beauty and barber supply shops by lowering margins on the high velocity items.

"But still our sales are up, and most chains with stores in high-volume ethnic neighborhoods report that their sales are up.

"But people today are buying value wherever they can find it. Combination two-for-one packs are hot. So are bonus packs, and so are the biggest brands that have a loyal following."

Most buyers and distributors say that merchandising and advertising are critical for keeping the ethnic category strong for drug store retailers.

Most chains with stores in high-volume ethnic neighborhoods are trying to enhance their appeal to shoppers by reconfiguring or expanding their ethnic departments.

Top 10 ethnic hair care products

(ranked by dollar sales)

Rank	Brand	Size
1.	Care Free Curl Moisturizer	16 oz.
2.	Care Free Curl Moisturizer	8 oz.
3.	Dark & Lovely Creme Relaxer	
4.	Dark & Lovely Creme Relaxer Plus	
5.	Right-On Curl Activator-Bottle	8 oz.
6.	Right-On Curl Activator-Bottle	16 oz.
7.	Gentle Treatment Relaxer/Regular	
8.	Care Free Curl Activator	8 oz.
9.	Care Free Curl Activator	16 oz.
10.	Soft & Beautiful Relaxer/Regular	

Source: Standard Distributing, Inc.

Top 10 ethnic hair care products

(ranked by unit sales)

Rank	Brand	Size
1.	Care Free Curl Moisturizer	8 oz.
2.	Right-On Curl Activator-Bottle	8 oz.
3.	Care Free Curl Moisturizer	16 oz.
4.	Magic Shave Powder/Gold	4.5 oz.
5.	Magic Shave Powder/Blue	5 oz.
6.	Care Free Curl Activator	8 oz.
7.	TCB Oil Sheen Spray—25% Free	16 oz.
8.	Care Free Curl Snap Back	8 oz.
9.	Right-On Instant Moisturizer	8 oz.
10.	Blue Magic Condition Hair Dress	12 oz.

Source: Standard Distributing, Inc.

Chains like SupeRx of Arizona, Drug Emporium in Columbus, Eckerd in Florida and Dart and Peoples in the Washington/Virginia market are all taking this approach.

At the same time, many chains including Perry Drug, Osco, Thrift, Dart, Peoples, F&M and Eckerd are now promoting ethnic more, giving it increased exposure on ends, and using POP to highlight special value buys.

As Perry's assistant vp of H&BA merchandising, Steve Lund, puts it, the goal for 1988 and 1989 is to let shoppers know "we are seriously committed" to the category and are prepared to provide shoppers with a broad assortment of quality products at reasonable prices.

Make it 'stand out'

A source at F&M says this Detroit-based deep discount chain tries to make the category "stand out.

"We put in eight- to 12-foot sections wherever they're warranted," he says, "and we're constantly changing the mix. We're dropping old items and putting in the hot new products as they come out. We use a distributor, and they stay on top of the category. We won't let our stores just stock anything. We're also price competitive in all our stores. You have to be."

In fact, competition this year has become an issue for most buyers. K mart, Wal-Mart and Zayre, three of the nation's strongest discount store chains, have aggressively stepped up their merchandising, advertising and promotional efforts in the ethnic area.

Zayre now has ethnic products in all stores. The chain has also steadily promoted the category to build visibility and image. K mart, the first discount chain to go aggressively after this category, continues to give ethnic products generous promotional space and full presentations in all higher-volume ethnic neighborhood stores. Wal-Mart has a strong everyday low-price image in this category.

In markets where there are 60 percent or more black customers, chains are also facing increased competition from family-run beauty and barber (B&B) supply stores. Most buyers complain that these small family businesses, often run by Koreans, are very cost-effective.

"They buy competitively, pay very low rent for their stores, often live in the same building as their stores, and use only family members to run the business," says one buyer. "They discount everything, and I can't even come close to matching their prices."

Other sources, however, say that many of the family-run B&B shops can't compete with drug stores on either variety or presentation of product. These sources feel that chains with a strong merchandising program in place can lower their prices selectively and compete with the family-run B&Bs as well as with the discount department stores, which are not always conveniently located.

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Growth outstrips drug chains:

B&Bs raise ethnic sales 10-20%

Beauty and barber shops (B&Bs) are increasing ethnic sales from 10 percent to 20 percent a year, according to distributors.

In contrast, with some exceptions, many drug store ethnic product buyers estimate that sales of ethnic products in their stores have slowed to increases of between 5 percent and 10 percent a year, and some buyers say overall sales in their chains are flat.

In the B&B industry, the competition is coming not just from the major chains like Alberto Culver's Sally Beauty Supply Shops, but also from small independent operators, many of them Koreans who run their stores as family-owned businesses.

Many distributors are now estimating that perhaps as much as 30 percent of all ethnic product sales are now generated in B&B stores. The B&B operators are almost always the first to get the new maintenance products coming out in the professional salon market, and they also are able to buy large quantities of the more established retail brands direct from the vender.

Several sources estimate that B&B owners often sell their merchandise at gross margins as low as 5 percent. Drug stores, in contrast, usually take 25 percent to 40 percent on everyday ethnic items and 15 percent to 20 percent on featured ethnic items.

Exact statistics are hard to come by on the B&B market, but it appears the industry has two branches: the major chains like Sally, Mylo and Save Way, which generally stock general market hair care lines as well as ethnic lines; and the small family-owned B&B stores that mostly stock ethnic lines and basically operate in neighborhoods where the population is more than 60 percent black or Hispanic.

Most of the B&B stores are usually small, averaging about 2,000 square feet, sources say, and stocking 1,500 to 2,000 SKUs at a time.

Some drug chains that go head to head with the family-run B&Bs are reacting by lowering their prices in high-volume ethnic stores. Many are also promoting ethnic more often to make it more visible in their stores, and they're beefing up their selection so they can make a stronger presentation statement.

However, in addition to aggressive pricing, many buyers also say the B&B stores have a strong service program working in their favor. "They can answer questions about the products," says one buyer. "When someone asks what's the best relaxer for me to use, a B&B store clerk can generally give an answer or an opinion. Our clerks generally don't know that much about the category, and we can't give the service."

Drug chains refine and promote ethnic sections

Ethnic new product launches

Cosmetics

Product	Company	Quarter launched	Description
Montaj for World of Color	Cleopatra Kohlique	3rd '88	New 87-SKU mass market makeup collection for women with olive, medium and dark skin. SRPs: $3 to $5.50. $1.5 million print campaign broke in June, featuring actress/model Sheri Belafonte-Harper, a partner in the company.
Zuri	J. Strickland	2nd '88	Line extension: 25 new shades.
Hair			
All Ways Lite Nature's Super Gro	All Ways Natural	3rd '88	New light-weight hair and scalp conditioner that encourages natural hair growth.
Right On Wet Look Activator Moisturizer	Lustrasilk	2nd '88	Line extension.
Dark & Lovely Cholesterol Conditioning Treatment	Carson Products	2nd '88	Adds shine and managability to relaxed or color-treated hair.
Dark & Lovely Reviving Colors	Carson Products	2nd '88	First conditioner for women who relax their hair. Revives color, adds sheen and conditions the hair.
Let's Jam	Modern Research Labs	2nd '88	Alcohol-free styling gel.
Finisheen	Revlon Professional Products	2nd '88	Line extension: Conditioning hairdress in two new formulas.
Queen Helene Cholesterol Creamy Hair Conditioner	General Therapeutics	2nd '88	Line extension.
Weather Wear	Posner	2nd '88	Styling aids for any weather.
All Ways Natural Nature's Super Gro	All Ways Natural	1st '88	Natural ingredient hair and scalp treatment.
Tight'N'Up	Attitudes Unlimited Modern Research Labs	1st '88	Ultra fine spray for maximum hold.

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At Perry Drug in Pontiac, Mich., management is trying to fend off competition by upgrading ethnic sections and lowering prices.

Perry upgraded its ethnic merchandising and expanded its presentations in high-volume stores earlier this year. In March, the chain gave the category an extra shot in the arm by taking price reductions on its 50 best-selling hair care SKUs.

Steve Lund, director of merchandising responsible for ethnic H&BA, says the chain lowered prices as much as 25 percent on the most visible brands, and the results have been very strong.

"We face very strong competition from the barber and beauty supply shops in our ethnic markets," he said, "and their strongest feature is price. Before we took our price roll-back, my sales were flat, even down a bit for the first quarter of 1988.

"But my six-month sales show that I'm up 3 percent in dollars and 10 percent in units, and I think we're going to be able to build on that growth for the rest of the year."

Reasonable profits

Lund says he's now as competitive as the majority of B&B shops on price. Even with the price roll-back, however, he says he's still able to generate reasonable profits out of the department.

"We've been working closely with both the manufacturers and our distributors on acquisition costs," he says, "and as a result, I'm averaging about 15 percent to 20 percent on the items we feature in the department today."

Several distributors and a number of buyers also told *Drug Store News* that there is a general trend to lower margins in the ethnic department. Several sources said the chain drug industry is trending away from everyday margins in the 40 percent-plus vicinity in favor of more competitive margins averaging between 28 percent and 33 percent.

"I still have stores that are all over the lot with their pricing," says Kent Humphreys, vice president of Jack's Service Distributors in Oklahoma, "but the major chains are definitely becoming more competitive and more promotionally-minded. I'd say margins in the vicinity of 30 percent are definitely becoming the norm."

But buyers and distributors like Humphreys are still quick to point out that although ethnic customers are sensitive to price, they are also strongly influenced by other considerations, such as the convenience of shopping, the look of the store and the visibility of the department. Also important, he says, are the strength of the store's ethnic presentation and whether or not the mix includes the latest new products and shades.

Despite the competition and the category's relative stagnation, many chains have been able to generate reasonable growth in ethnic by improving the merchandising of the category.

SupeRx of Arizona

SupeRx of Arizona, which also has 22 stores in Alabama and Georgia, has a new prototype for high-volume ethnic stores that puts the department much closer to the front of the store. The assortment has been expanded, and in many stores, the department has grown from a basic four-foot set to eight and 12 feet and more.

In some of highest-volume Alabama and Georgia stores, the chain has expanded ethnic to as much as 84 total feet.

Earlier this year, Sam Porter, the division manager responsible for the Alabama and Georgia SupeRx stores, created a new customized planogram for the highest-volume ethnic stores.

"The planogram is part of our new effort to customize our stores to their neighborhoods," says Porter. "Our high-volume ethnic set is a good example of this program, but we're not just limiting the customization to ethnic stores, but to any category that seems to deserve more space in any given neighborhood.

"If toys were selling particularly well in one or several of our stores, we'd expand space for that category too. We're trying to give our customers what they want. We're trying to be a neighborhood pharmacy."

At presstime, SupeRx had three customized ethnic sets in the South and was working on a fourth. Porter estimated that perhaps one more store would get a dramatically expanded set.

"Basically, these are stores where as much as 95 percent of the customers are black," he said. "We started with the cosmetics department, and we cut back on all the light shades in the general market lines and gave on average, about 80 percent of our space to the darker general-market shades and to ethnic cosmetics.

"We did it because we weren't getting to the customers in those neighborhoods. We weren't offering what they wanted. They weren't using the same colors as the whites, so we were wasting our time carrying it in our stores. Now we've tailored the mix to the neighborhood and we've made ourselves more like a community store."

Eckerd Drug

At Eckerd Drug in Florida, George Gebhart, director of merchandising, says that in spite of increased competition for ethnic sales, the category is growing in the Eckerd chain at an average rate of about 7 percent a year.

Gebhart says the growth is primarily the result of better merchandise implementation. "We are following the rule that about 20 percent of our stores do about 80 percent of all ethnic sales," says Gebhart. "So although we now have a three-foot minimum set for ethnic in almost all our stores, we are expanding the department in all high-volume stores. Before where we might have given eight feet to ethnic in a good neighborhood, now we give it 12 or 16 feet. Some of our stores even have 30-foot sets."

Eckerd has also put photos of black models in the cosmetics departments of all its approximately 200 high-volume ethnic stores to create a better ambiance for its customers, and in the higher-volume stores, they are also putting a select number of Dark & Lovely hair coloring SKUs in the mass market hair color section. "That's where women expect to find hair color," Gebhart explained.

Drug Emporium

Drug Emporium, headquartered in Columbus, Ohio, is also increasing space for the category in all stores where the volume warrants expansions. In high-volume ethnic stores, sources say, the average set is expanding from four to eight feet, and in some stores it is going as high as 12 feet.

"We are making a statement to the local community that we are in the ethnic business," a source said.

Both SupeRx and Peoples Drug in Alexandria, Va., are cutting back on select general market SKUs in order to make room for products tailored to black needs. Black hosiery lines like Afrotique and Brown Sugar have been added to many stores, and in some cases, they have been given as much as eight feet.

Ethnic hair color lines like Dark & Lovely and Creme of Nature are now merchandised in the general market hair color section as well as in the traditional ethnic hair section of many chain drug stores.

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Ethnic planograms: Percentage changes in category space allocations

(percentage of total planogram space occupied by category)

Category	1986	1987	Plus or minus space changes	% change in space allocation
Curly Look Maintenance	43.8%	39.18	−4.71%	(10.73%)
Conditioners	17.68	20.29	+2.61%	14.76
Relaxers	13.40	15.57	+2.17	16.19
Detanglers	5.21	4.63	−0.58	(11.13)
Press & Styling	3.25	3.73	+0.48	14.77
Curl & Wave	3.22	3.23	+0.01	0.31
Skin Tone Cremes	2.70	2.87	+0.17	6.3
Hair Coloring	2.37	2.57	+0.20	8.44
Aerosol Oil Sheen	1.79	2.20	+0.41	22.91
Men's Shaving	1.76	1.90	+0.41	7.95
Shampoos	1.41	1.60	+0.19	13.48
Curl Kits	3.31	2.22	−1.09	(32.93)

Source: Standard Distributing, Inc.

How ethnic hair care preparations compare to other H&BA categories

(Annual sales percentage changes: food, drug and mass merchandise stores)

Category	1983	1984	1985	1986	1987
Ethnic hair preps	14	4	7	(2)	2
Men's products	9	6	1	4	4
Hair care	6	5	1	3	3
Oral hygiene	8	5	6	4	9
Color cosmetics	8	11	5	8	5
Select remedial toiletries	10	8	3	3	3
Total H&BA	9	7	4	5	6

Source: Nielsen Marketing Research

Ethnic hair care preparations: Five-year sales trend

(in millions of dollars)

Year	Total sales*	% change
1983	$240	14%
1984	$249	4
1985	$266	7
1986	$261	(2)
1987	$266	2

* Food, drug and mass merchandise stores only.

Source: Nielsen Marketing Research

Ethnic products in war for space at drug stores

Continued from page 22

In high-volume ethnic stores, Peoples and SupeRx have also cut back some on their assortments of general market cosmetics, and in their place, have increased space for ethnic lines like Posner, Zuri and Ultra Sheen.

In contrast, some chains are trading off a strong ethnic cosmetics presentation for increased turns, and a few are eliminating the slower-turning eye, lip and nail ethnic cosmetic brands altogether and stocking only the better selling face powders, both pressed and loose.

CVS Drug Stores

CVS, Woonsocket, R.I., is testing a new compact ethnic cosmetic planogram.

The planogram features only two lines: Posner and Ultra Sheen. The lip, eye and nail shades have been eliminated, and the set now includes just about 25 foundation SKUs.

A source said that in the first few months of the test, turns have gone up "dramatically." He added, "That's what you would expect when you go from about a three-foot set to a one-foot set and you cut out about 75 percent of the items that were in the department."

The source said that lip, nail and eye were eliminated because in CVS's ethnic neighborhood stores, customers were buying more of the general market lines—Revlon, L'Oreal, Cover Girl and Maybelline, for example—than ethnic color lines. However, the foundations still sold "very well" because, as the source explained, "they serve a real need. Black customers do need darker shades than most general market lines provide. However, that isn't the case with lip, nail and eye."

In Oklahoma, however, Kent Humphreys reported a different trend. In his region, he said ethnic customers are buying the ethnic color promotions, and Posner particularly has been very successful in appealing to this customer.

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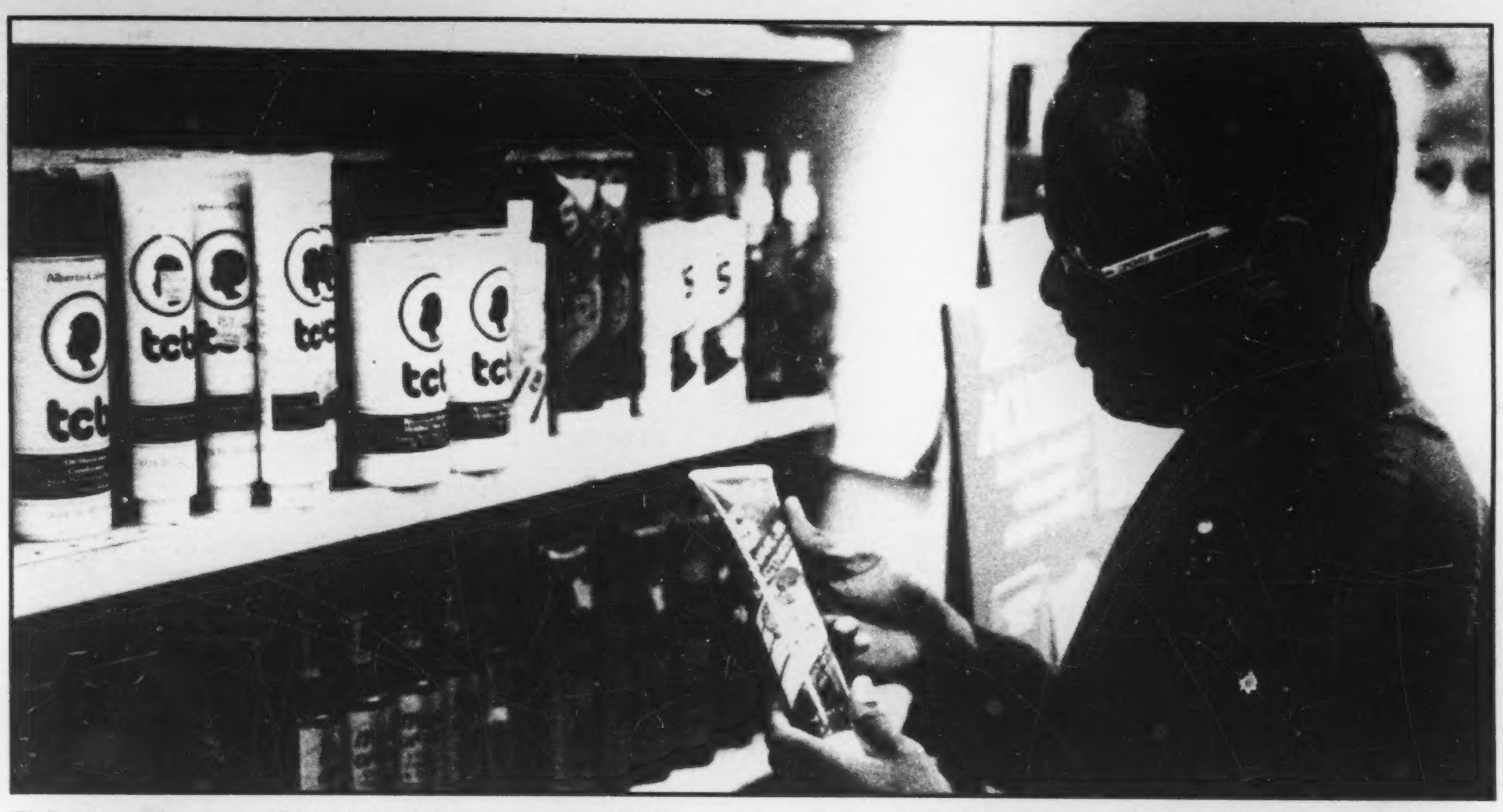
Percentage changes in black population by regions

Region	% of black population in 1987	% change in black population since 1980
New England	1.8%	14%
Metro New York	10.1	16
Mid Atlantic	11.0	1
East Central	10.9	9
Metro Chicago	5.8	21
West Central	4.8	13
Southeast	33.7	19
Southwest	13.9	11
Metro L.A.	4.0	17
Pacific	4.0	13
Total U.S.	100	14

Source: Nielsen Marketing Research



Ethnic sales are sluggish this year, partly because men and women are still wearing their hair too short. Some buyers think longer hair will make a comeback this coming year, and if that happens, sales of curls, perms and styling aids should start surging again.

Increased ethnic presence helps chains gain

The ethnic category is flat in overall dollar sales, according to Nielsen Marketing Research estimates, but some drug chains are generating sales increases as high as 20 percent from the category.

The double-digit increases are coming primarily because they are adding ethnic lines to more stores, pricing their best selling brands more competitively, promoting the category more and making the department more visible in stores. Also, they are tailoring the mix in ethnic market stores to the needs of the customers they serve.

Buyers and distributors say the fastest growing segments are still styling aids and hair color, but relaxer products are also strong as are maintenance products for the latest salon look: the relaxed or leisure curl.

Richard Eichholz, president of Ben Sheftall Distributors in Savannah, Ga., says that relaxers are up by about 15 percent, while styling aids are up about 20 percent. Color is up about 10 percent.

In Connecticut, Jim Normandin, the ethnic H&BA buyer for Beauty Enterprises, estimates that curl kits are a little better than flat, up about 4 percent in his markets. He says his numbers show that curl activators are down between 1 percent and 3 percent in most markets, while curl moisturizers are down about 5 percent.

Normandin estimates that relaxer sales may be up as much as 7 percent, while styling aids and color are both up about 10 percent. Oil sheens, however, seem to be trending down in some markets. Normandin says his numbers show they are down by about 8 percent from last year.

Most drug chains today are cherrypicking the growth categories to highlight in their ads, but in their bid to draw traffic away from the competition, they are also banging away at the dominant brands, particularly Dark & Lovely, Care Free Curl and the Luster S Curl Kit.

Generally, the chains tend to use the top-selling brands as traffic builders and create an impression of low prices and broad assortments.

Buyers and distributors say that some of their strongest growth is coming from traditionally dominant brands like Dark & Lovely, LustraSilk, Pro Line, Care Free Curl, Gentle Treatment, Sta-So-Fro, and Revlon's Finisheen, and also from some lesser-known brands with products in what some buyers and distributors think are emerging growth categories.

Although the total curl category is flat, the relaxed curl segment—so far only available in salons—is growing. Sources say that maintenance products, which are just making the transition from salon to retail sales, are doing well.

The Leisure Curl maintenance line, for example, is one of the first to hit the mass market. As a result, it is enjoying strong growth.

In Washington, D. C., Eric Thomas, the new ethnic products buyer for Peoples Drug, says Leisure Curl is a "dynamite item." Peoples hasn't featured it yet because Thomas hasn't been able to acquire it at a cost that would let the chain discount it, but the buyer said Leisure Curl was the kind of hot item he wanted to feature whenever he could "give it to my customers at a good value price."

Other manufacturers are about to launch their own versions of relaxed or leisure curl products, and buyers say there is every chance that all this new activity could revitalize the entire curl category.

Some sources estimate that the new launches planned for the curl segment next year could cause curl sales to grow by as much as 5 percent to 10 percent in 1989.

The leading brands in the curl kit and maintenance segments also continue to grow. Most sources say that the Luster S Curl Kit is the strongest brand in that segment, gaining shares at the expense of most competitors.

In the maintenance category, Care Free is still the undisputed leader, and again most sources say the brand is gaining shares at the expense of weaker competitors.

In the relaxer category, the relatively new mild men's comb-through relaxers for short hair are said to be doing well, and Dark & Lovely is still the overall best seller in dollar sales. Some sources say Gentle Treatment is their second best seller in this category, while others single out Pro Line and the Revlon relaxers.

Several sources said that Dark & Lovely's year-old Plus formula is doing exceptionally well. It's on the list of 100 best-selling products of several distributors.

Most brands of No Lye Relaxer Conditioners are also said to be doing well, but oil sheens may be starting to flatten out. Some sources say sheen products are still selling very well for them, but a few say the category is off by between 5 percent and 8 percent, and that its decline is related to the fall off in curl kit sales.

TCB is about to launch a new unscented oil sheen, and since it will be the first of its kind on the market, many buyers and distributors are predicting that it will sell very well.

Several sources expect very good sales from a new aloe vera gel conditioner from Long Aid.

Many buyers also pointed out that sheen/holding products are particularly popular in salons right now, and that it would be natural for that trend to make a strong transition to retail sales as well.

The two hottest ethnic categories this year are color and styling gels/hair conditioners. Most agree those segments are up 10 percent to 15 percent this year; some say 20 percent.

There is a lot of new activity in gels. This is one category where shoppers are also buying a lot of general market products as well as ethnic lines, and many sources think lines like Dep, Dippity Do and Studio are also benefitting from increased consumption among ethnic shoppers.

Posner and TCB were also frequently singled out as strong sellers in this segment. In the Southeast, sources said the Vigorol styling gel was doing very well and beginning to build a national following. The Summit Pre Con Gel is also said to be doing well, as is Dark & Lovely's new styling gel.

In Chicago, Lou Orenstein, president of Judith Lynn Beauty Supply, reports that Hairlox is showing some strong growth in the Midwest. Orenstein says some of his other best sellers include the Revlon Relaxer kits, Johnson's Gentle Treatment, TCB's hair and scalp treatments, M&M's Stay-So-Fro, Soft Sheen's Care Free and Carson's Dark & Lovely.

The hair conditioners and pomade categories are still selling very well in most ethnic neighborhood stores. A few buyers feel the category will do even better next year because long hair seems to be making a comeback, particularly for men.

Several West Coast sources say men are now wearing much longer hair styles in their markets, especially in California, and the trend is expected to make its way East.

In Chicago, Orenstein says he sees a trend to longer hair for women as well as men, and he says this bodes well for the category. "If they let it grow, they have to either relax or curl it," he says, "and that alone will generate growth."

All the major hair styling aids seem to be selling well. The light brands that don't leave a heavy residue on the hair are doing extremely well, and some parts of the country are reporting exceptionally good growth from certain regional lines like Isoplus hair treatments and styling aids, and the Super Grow cholesterol treatments from Scientific America in Florida.

Isoplus is made by JM Products in Little Rock, Ark. Har-

Continued on page 28

Ethnic hair care preparations: Dollar sales

(in millions of dollars)

Outlet	1983	1984	1985	1986	1987
Drug	$138	$157	$176	$174	$153
Food	58	66	67	66	65
Mass merchandise	44	26	23	21	48

Source: Nielsen Marketing Research

Ethnic hair care preparations: Percentage growth

(Sales changes: food vs. drug vs. mass merchandise stores)

Outlet	1983	1984	1985	1986	1987
Drug	11%	14%	12%	(1%)	(12%)
Food	29	14	2	(2)	(2)
Mass merchandise	7	(41)	(12)	(9)	128

Source: Nielsen Marketing Research

Bigger ethnic presence

Continued from page 27

ris Beauty Supply in Atlanta says the brand is "one of the fastest growing lines we've seen in our market in years."

This year, Isoplus had a twin-pack promotion featuring its oil sheen and its holding spray, and sources said it blew out the door. Harris said it was "the second best promotion we've had this year."

Other sources say the cholesterol category has also been showing strong growth in ethnic. Some say that any product with cholesterol in its formula sells well. Many distributors say that cocoa butter, aloe vera and vitamin E ingredients are also hot right now.

Chains and distributors that carry the Super Grow line usually say it is their fastest growing line in the cholesterol treatment category, but Queen Helene is also mentioned as a strong seller, and most are very optimistic about the new cholesterol line, Le Kair, that Carson Products is introducing.

Expectations are also high for a new temporary color enhancer that Carson is launching for permed hair.

Buyers and distributors say the new item, which is called Dark & Lovely Reviving Colors, should be a real winner because it is innovative and it enhances or treats the hair as it adds color and shine. The formula is meant to replace the color that perming strips from chemically treated hair.

Reviving Colors is targeted specifically to women who perm their hair, which is at least 50 percent of the ethnic market, buyers estimate.

Most sources said that hair color is one of the best growth segments in ethnic this year. The best selling line, everyone agrees, is Dark & Lovely. Many sources say they are cutting back many general market shades to make more room for the Dark & Lovely shades, and also for Revlon's Creme of Nature, which many buyers said was performing well for them right now.

Several chains are starting to carry both Dark & Lovely and Creme of Nature in their higher-volume ethnic stores "to give our customers a better assortment."

Most sources say the temporary or wash out colors are selling faster than the permanent shades, but the word on Color Accents was mixed. Some sources called the two-year-old line "disappointing," while others said it was one of their fastest growing brands.

In ethnic cosmetics, many buyers are giving expanded space to all three of the leading ethnic color lines—Posner, Zuri and Ultra Sheen—and a few chains like Eckerd and Perry Drug are also testing the Flori Roberts and Fashion Fair department store lines in a few stores, to what sources say are "good results."

Other chains like Peoples and SupeRx of Arizona are exploring the option of adding more upscale ethnic lines to their mixes. Eric Thomas, the new ethnic buyer for Peoples Drug, says ethnic cosmetics is a "vastly underutilized category in chain drug stores, and has the potential for much stronger growth."

Skin care gaining

Another underutilized category, skin care, is also starting to show stronger sales in some sections of the country. Jim Normandin at Beauty Enterprises estimates that total skin care sales this year are up about 8 percent.

Most of the growth is coming from the Ambi skin care line, but distributors like Normandin say the Venus De Milo line is doing fairly well. Several sources say Schering Plough's new packaging for its Archer's line may also help the category.

Ethnic hosiery sales are continuing to go up in chain drug stores. Several sources estimate the category is up 7 percent to 10 percent this year, with most sources saying the fastest growing line is Afrotique, which is owned by Sara Lee. Sara Lee has L'eggs, Hanes and the Brown Sugar ethnic hosiery line.

Some distributors expect Sara Lee will begin promoting the Afrotique line much more aggressively, just as they do L'eggs, and if that happens, one source said, "the growth should hit double-digit rates."

In Connecticut, Ken Royle at Beauty Enterprises was starting to see growth in the fashion segment of hosiery, particularly in imported lines aimed at young people of all ethnic backgrounds.

Royle said that even though many of these lines are imported, the quality is high while the price is reasonable. "Many drug stores are selling these kinds of lines for about $4, while department stores have comparable brands for as high as $14," he said.

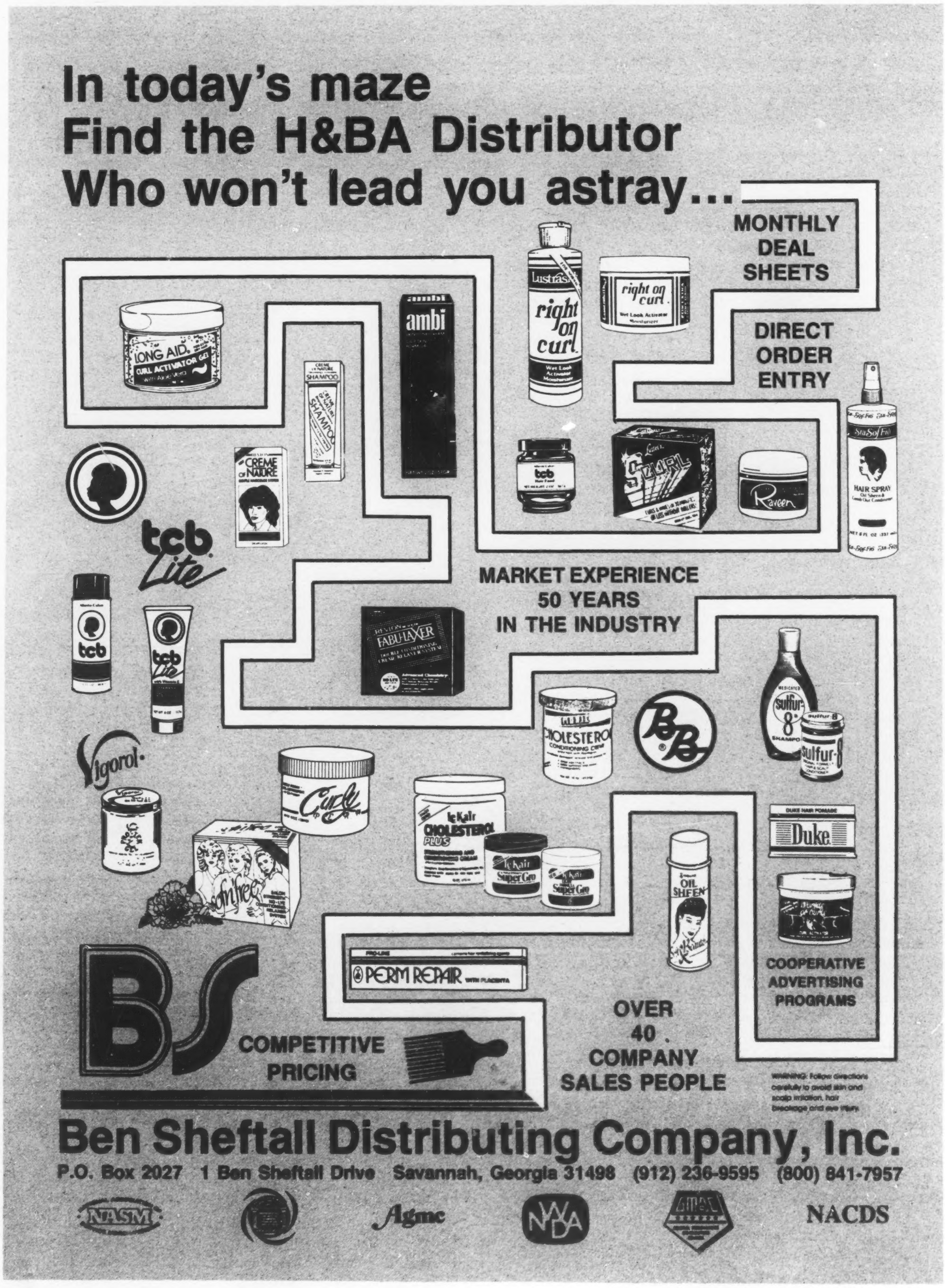
Ethnic growth segments

Ethnic hair care preparations: market share

(Food vs. drug vs. mass merchandise stores)

Outlet	1983	1984	1985	1986	1987
Drug	58%	63%	66%	67%	58%
Food	24	27	25	25	24
Mass merchandise	18	10	9	8	18

Source: Nielsen Marketing Research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Promotions abound as chains seek to attract ethnic traffic

With no new fashion trend to drive ethnic hair care sales, the total category has been flat again this year.

But drug store retailers say they have been able to generate growth in their high-volume ethnic stores by enhancing their merchandising of the category and by putting a strong emphasis on stocking and displaying products backed by manufacturer promotions. These include "two for one" packs, bonus packs, brands with rebates or refunds, and brands supported by special consumer promotions that give shoppers a chance to win prizes such as free trips, cars or bicycles.

Several drug chains, however, have also decided to fight competition by lowering prices, preferring, as one buyer put it, "to sacrifice the 40 percent to 60 percent margins in exchange for traffic and an attractive image."

Other chains are also trying to decrease the number of times they have to bang heads with competitors on top selling brands like Dark & Lovely or Carefree Curl.

Ethnic hair care: Division of sales by category segment

(1986 versus 1987)

Segment	1986	1987
Conditioners/hair dressings	24%	25%
Curl activators	27	27
Hair sprays	2	2
Comb easy	25	23
Relaxers	17	19
Curl kits	5	4

Source: Nielsen Marketing Research

Some buyers say they are trying to broaden their advertising mix and reduce the number of times they have to cut margins by looking for good, but lesser known brands, that they can promote at very attractive prices.

This year, several chains seem to have found such an alternative in Supreme Products' Duke and Raveen brands.

Between its rebates and refunds, Supreme has generated tremendous trial for Duke and Raveen. In many markets, retailers report they have been able to advertise both brands for $4.99 or $5.99. Plus, in many markets, Supreme had $2 to $5 rebates available, meaning that many consumers were able to buy a Duke or Raveen kit for less than $3, and sometimes they could get a kit virtually for free.

Supreme, which is owned by John Johnson, publisher of *Ebony*, also includes the names of the chains that stock his products in tag lines that run with his ads in *Ebony*.

The ads usually feature a picture of the Duke and Raveen texturizing and relaxer kits in *Ebony*, along with the mention of the chain's name as a place where the products are available. Rite Aid has participated in the promotion and so has Eckerd, Walgreens, K mart, Safeway and G.C. Murphy's.

Promotion gets high marks

Mike O'Neill, vp of merchandising for Harris Beauty Supply in Atlanta, says this type of promotion is particularly good for chains facing intense price pressure from any type of competitor.

"It takes a good brand and gets it under the magic $5 price point," he says. "It's been a very effective promotion. In the mid-Atlantic market, it's sold very well."

At Eckerd Drug, George Gebhart reports extremely high turns on the Duke and Raveen line. "It's because they offered a $5 rebate on both items, and since they normally retail for $5.99, customers who took advantage of the rebates could get them for 99 cents."

Eckerd supported the promotion with end caps in its higher-volume ethnic stores. "We're finding that it's a good promotional strategy to use end caps in the high-volume stores. It does help sales tremendously," said Gebhart.

In the Washington market, Dart Drug is planning a contest with Supreme that will give Dart's customers a chance to win two tickets to the Michael Jackson concert this October.

In Chicago, Lou Orenstein, president of Judith Lynn Beauty Supply, says that Supreme did a similiar promotion with local Chicago chains during the Tyson/Spinks championship fight that was "extremely successful."

For that promotion, chains raffled off 50 tickets to a closed circuit television party where the winners enjoyed the fight along with hors d'oeuvres and cocktails.

Orenstein also says chains have seen strong sales from the Luster S Curl Model of the Year Contest and from the Gentle Treatment Model Search.

At Perry Drug in Detroit, management has been vigorously promoting ethnic brands since they finished upscaling the department in February. Perry uses a magazine digest booklet to promote ethnic, and extensive radio spots.

Steve Lund, director of merchandising for H&BA, says ethnic sales have also been helped by the fact that Perry is doing more extra value promotions like sweepstakes, bonus sizes and on-packs.

Earlier this year, Lund says, he had excellent results with a Johnson Products promotion featuring a sweepstakes in which the grand prize was a free trip to the Caribbean for two plus $500.

Lund supported the promotion with print and radio ads as well as ends featuring Ultra Sheen and Ultra Star.

"What made it especially effective," he said, "was that we were advertising a very strong consumer value. Consumers who bought an Ultra Sheen Relaxer kit or an Ultra Star Texturizing kit got another one free, or they got an eight-oz. bonus pack if they bought the Ultra Sheen Hair Food or the Ultra Sheen Lite Conditioner."

Buyers and distributors are also very enthusiastic about LustraSilk's large-size back-to-school promotion.

This promotion is aimed at families who tend to stock up on maintenance products as school reopens. It features the 32-oz. size that is not in everyday stock. The promotion includes the LustraSilk Activator, Moisturizer and Curly Look Control. The manufacturer lists $13.95 as the SRP for the 32-oz. size in these items, but for this promotion LustraSilk pre-prices the items at $8.95.

LustraSilk also uses customized radio spots on a regional basis to back up the promotion.

For the last three years, Luster Products has done a very successful bonus promotion with its Luster Oil Moisturizer. The promotion features 12 ounces for the price of eight ounces. Buyers say it has been a stable of their spring and summer promotions for the past three years and has "always done well."

Many distributors and buyers also singled out some of TCB's recent promotions as being outstanding.

Ethnic hair care: Percentage changes in segment unit volume

(1987 vs. 1986)

Segment	% change
Comb easy	(8%)
Hair spray	0
Conditioner/hair dressing	3
Curl kits	0
Curl activators	0
Relaxers	11

Source: Nielsen Marketing Research

Food chains try to take a position in ethnic products in high-volume ethnic neighborhoods, but often their selections are small. They generally carry just the top brands in some of the major hair care segments, as this picture of a Publix ethnic department shows. Drug chain buyers say they have an edge because their stores offer consumers more variety and a better presentation.

Ethnic hair care preparations compared to other select H&BA categories: 1987 market share trends

(By type of retail outlet)

Category	Food	Drug	Mass merchandise stores
Ethnic hair preps	24.3%	57.5%	18.2%
Shampoo	50.8	27.9	21.3
After shampoo	43.5	36.1	20.4
After shave/cologne	16.7	62.3	21.0
Face creams/lotions	24.3	57.3	18.4
Hair color	19.8	53.6	26.6
Color cosmetics	18.5	60.5	21.0
Hair spray	45.2	29.8	25.0
Total H&BA	44.1	38.4	17.5

Source: Nielsen Marketing Research

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Promotion strategies vary by chain

Most chain drug stores still prefer to promote ethnic products through in-store flyers, which buyers view as cost-efficient, rather then in newspaper ads or circulars.

However, it is becoming more common for retailers who carry ethnic chainwide also to use weekly color rotos to promote best sellers, in order to demonstrate commitment to the category.

However, the few chains who carry ethnic in all stores, like Walgreens, Thrift and Dart, are promoting major brands in almost all print ad vehicles, including coupon books, newspaper ads and four-color circulars.

A source has confirmed that this fall Osco will use its color rotos to advertise ethnic. Sources say that starting in October, Osco will be putting between two and four ethnic items in its roto each week.

The source says the strategy is a way of letting black shoppers know that Osco wants their business and that its stores have the best selling brands at the best prices.

Community service promos

In mass merchandise stores, where chains have bigger selling areas, there is also a new emphasis on community service promotions.

For the past two years, K mart has done a promotion themed around a "Send a Kid To Camp" campaign. High-volume ethnic stores build a display featuring about 12 separate products.

K mart tells its customers it will contribute a certain amount, usually 25 cents for every featured product bought during the promotion. Participating manufacturers usually match this, and proceeds are given to the YMCA, which uses the money to sponsor a week at camp for underprivileged children.

Stores usually advertise the promotion with in-store displays and local newspaper or radio ads, or in flyers.

Many drug chains also work closely with manufacturers to develop promotions customized to their high-volume ethnic stores. Individual store contests run by Eckerd, Big B, Perry, Osco and Walgreens are most popular.

"Some of the most successful promotions today focus on a major holiday or event like Black History Month, Easter, Christmas, summer or back-to-school," says Richard Eichholz of Ben Sheftall.

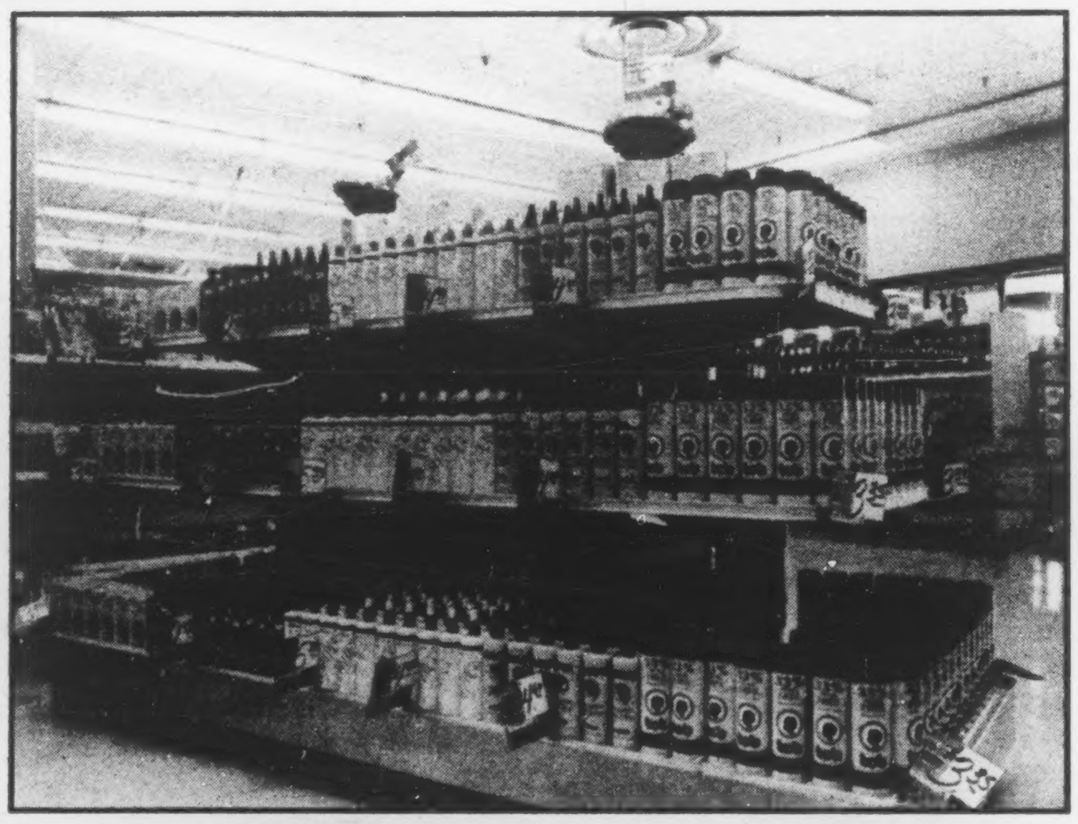
"Chains are realizing that they should be zeroing in on black families in their ads, and that's because most of the purchases for a black household are made by the adult female shopper, and when she shops, she shops for the entire family. Eckerd is particularly good at this type of promotion in high-volume stores, and so is Big B," he adds.

How Walgreens promotes its ethnic selection

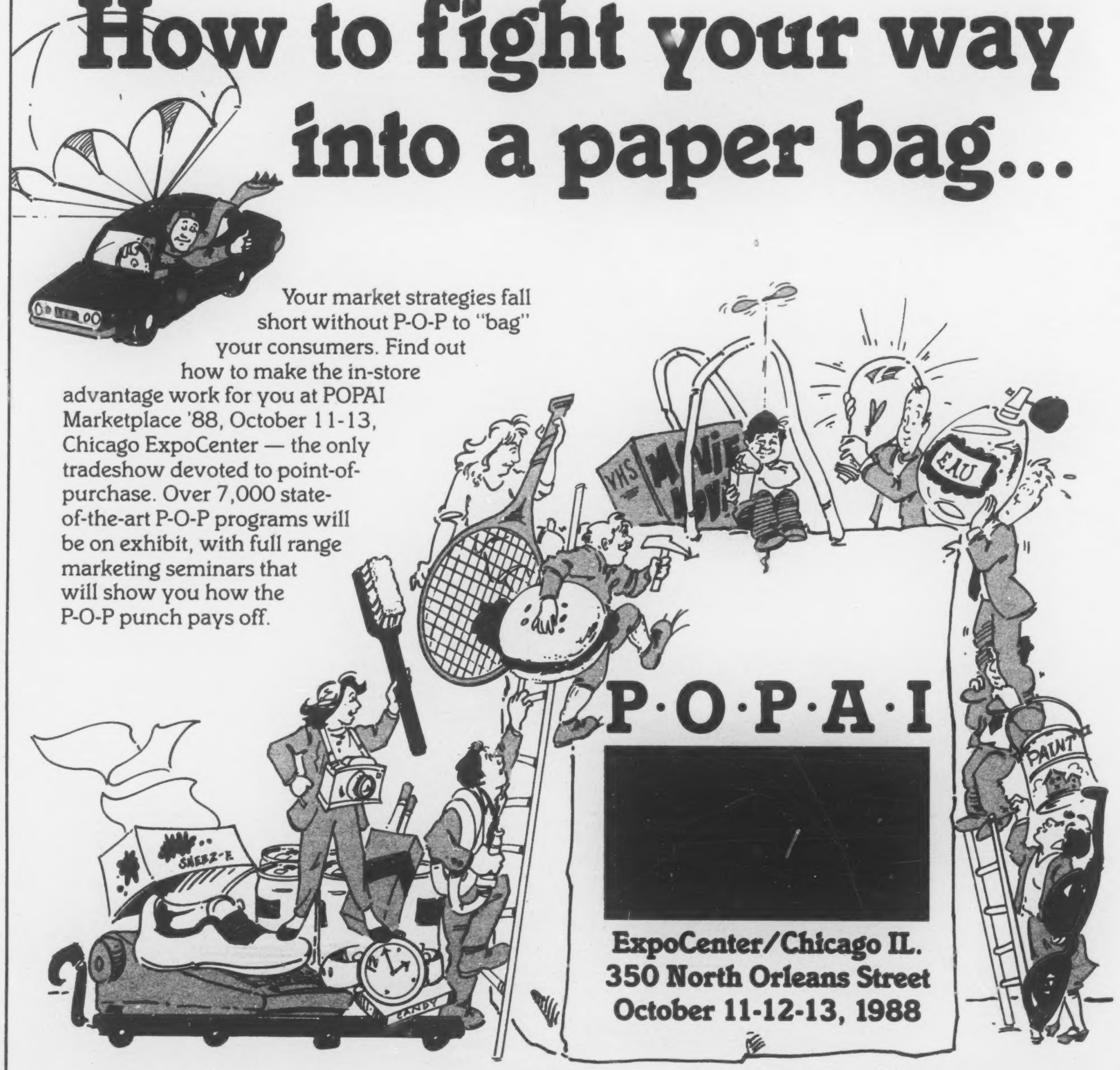
(Sample of chainwide print ads, May 1988)

Product	Price
Luster S Curl Activator, 8 oz.	$2.99
Worlds of Curls Conditioner, 8 oz.	$1.89
Worlds of Curls Curl Activator Gel, 6 oz.	$1.89
Ultra Sheen Curl Activator Gel, 2 oz.	$1.19
Genbtle Treatment Conditioner	$4.99
Johnson's Relaxer	$4.99
Luster S Curl Kit	$5.99
Stay-Sof-Fro Spray, 8 oz.	$2.49
Ultra Star Texturizer	$4.99

Source: Vereen Associates Ad Tracking survey. Print ads for chain drug stores in May 1988.



Drug chains are trying to drive sales up in ethnic products by giving the category more space and more advertising. Buyers say bonus-size packs are selling particularly well this year.



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Perry tests new ethnic lines in 10 inner city stores

Perry Drug will soon carry select department store ethnic cosmetics in a small sample of its inner city stores.

As a test, 10 inner city stores are being outfitted with the Fashion Fair line, and some of these stores will also carry Flori Roberts.

Gary Allen, executive vp, says the Pontiac, Mich.-based chain is expanding space in these 10 stores for some of the mass market ethnic cosmetics, particularly Posner, Zuri and Sugar n' Spice.

"Before, we had some ethnic lines in our stores, but it was not anything dramatic," says Allen. "Now we'll have about 12 feet to 15 feet of ethnic cosmetics in addition to our regular ethnic hair section.

"We definitely think there is a market for ethnic cosmetics in drug stores. It just needs exposure to take off."

"We have Ultima II in some of our stores, so why not Flori Roberts or Fashion Fair in high volume ethnic stores?" asks Perry's new assistant vp of cosmetics, Jan Evans.

"We'd still carry all the shades in the nail, lip and eye segments of most of the general merchandise lines because they're generic and all types of women can use them, but in the face makeups and foundations, we need darker shades for our darker-skinned customers."

As Perry remodels its stores, Evans said the chain will also revise its mix in the ethnic planogram. Lighter shades in the mass market lines will be eliminated, and more of the darker shades will be added, particularly in the higher-volume ethnic stores.

Wants new lines

Evans says that Perry is very interested in bringing in other new ethnic lines into cosmetics and is looking at several options besides the department store lines.

"We want to put new lines in," she says, "because we think we need to make those kinds of changes to keep on generating excitement in the department. I think maybe 50 of our high-volume ethnic stores could maintain that kind of approach.

"It's not that we're looking to expand space in ethnic. It's more a question of our wanting to use it better. We're going to be listening more to our customers. We'll be trying to see what they're looking for, and once we know more about what they want, we're going to try to give it to them."

Evans says Perry will also consult more often with its own cosmeticians and district managers to see what feedback they're getting from Perry shoppers. "They're talking to our customers all the time," she says, "and they'll be an invaluable source of merchandising information."

She also said that once Perry has identified the right mix and gotten it into enough remodeled stores, the chain will begin promoting ethnic cosmetics more. "We'll need to get the word out," she says.

Steve Lund, the vp of merchandising responsible for Perry's ethnic hair care set, will also be doing more advertising for the department.

"Half our stores have an everyday ethnic hair care department," Lund says, "and we want to make our presence in the category more visible to our customers.

"We just did a price reduction on the top 50 items, and now we're working on promoting that. Normally when you work with inner city stores, you can price higher because you're selling convenience.

"But that's not the case with ethnic. Many of our customers are interested in savings, so we have to be very price competitive."

Lund says that Perry likes to use radio, newspapers and circulars to reach its ethnic market. "All our efforts right now," he said, "are behind image advertising. We use radio, newspapers and we do a full page in our circulars.

"We're using the theme that Perry is "serious" about ethnic. We're trying to show that we're dedicated to the ethnic category and that we have both the assortment and the right prices."

Makes a stronger statement:

Thomas directs Peoples' ethnic focus

Before Peoples Drug Stores promoted Eric Thomas, assistant H&BA buyer, to ethnic products buyer, the 850-unit chain never had a buyer exclusively for ethnic products.

In the years before Thomas's promotion this past spring, ethnic had been one of several categories overseen by the Peoples H&BA buyer.

But because the Alexandria, Va.-based chain has so many stores in highly ethnic neighborhoods, the ethnic products department has grown to be especially valuable to the chain. Thomas's boss, cosmetics vp Vicki Williams, describes ethnic as "a very important category for the chain, an area for growth and opportunity."

Thomas has been with Peoples for 10 years. He joined the company in 1978 as a merchandise manager coordinator, and before that was a sales rep for Harris Beauty Supply, a major distributor of ethnic products.

"Ethnic is already a very strong category for us." Thomas says. "The category overall is flat, and there is tremendous competition in this area, but even so, our sales are up. I think we can generate even more growth, and I wouldn't be surprised if, at some point, we could double or even triple our current sales."

Thomas says that "advertising is the key to getting ethnic to grow. You have to get the word out to the people," he says, "so the people will know the type of mix you have.

"We're going to be making a statement that Peoples has the products people want and at the most competitive prices. We have very heavy ethnic demographics in our Washington, D. C. and mid-Atlantic stores, but I'm talking corporately when I talk about ethnic. All our divisions will be getting behind it."

Currently all Peoples stores have an ethnic set, usually ranging from four to 12 feet, depending on the store.

Thomas says that high volume stores must have a larger set to create a stronger presentation of the category. "We're asking the regional vps and the district managers to tell us which are their highest volume ethnic stores, and when we identify the right stores to remodel, we'll go up to 20 or 30 feet. When you're working with 72-inch fixtures, you can make a strong presentation."

Thomas has already completed four new planograms for ethnic and he's working on his fifth. "I have one more to go after that," he says, "and then I'll be ready to start sending the planograms out to the stores." Until recently, Peoples only had three planograms for ethnic: for four-, eight- and 12-foot sets.

Strong mix, good prices

"When we start implementing the planograms, we're going to be stressing a strong mix of products at a good price. We plan to get involved with many more promotions, and we especially want to do themed promotions, like back-to-school."

Thomas prefers to service Peoples stores "through our own warehouse. "It's true this is a fashion-driven category, and a distributor can be a great asset in helping a chain stay on top of it, but I know this category and I think I can stay on top of it as a buyer. I expect vendors to advise me when there's something new and potentially hot coming along, and when I find the right products, I can buy them and bring them in on short notice. I also know we'll do a lot of business in the everyday maintenance products that people need."

Thomas also wants to give the department a permanent home in stores, which it doesn't have now.

"I don't want it in the back or too far from the rest of H&BA. I want customers to come in and see our assortment and respond by making multiple purchases.

Thomas says ethnic cosmetics will be an important part of his mix. He says he'd like to add more ethnic cosmetic lines to Peoples, possibly even a department store line like Flori Roberts or Fashion Fair.

"Ethnic cosmetics hasn't been explored yet in most drug stores," he says. "We want to stir up a lot of excitement in the marketplace, and in 1989, you're going to see us do more with this category. We'll promote cosmetics more," he says, "but we're especially going after hair care because that's used by both men and women.

SupeRx experiments with custom ethnic prototypes

SupeRx is experimenting with a series of prototypes that allow management to customize individual stores to specific neighborhoods.

In neighborhoods that are nearly 95 percent black or Hispanic, for example, the Cincinnati-based chain is opening stores that devote about 80 percent of the overall cosmetics and hair care sections to products that meet the needs of darker-skinned customers.

SupeRx's store in Decatur, Ga., was the first unit to be given such a set when it was remodeled right after Christmas last year.

Sam Porter, who is in charge of the Alabama-Georgia region, where SupeRx currently has 22 stores, decided to make the change so he could customize the store to the local community.

"We weren't getting to our local customers," he says. "Our offering wasn't what they wanted. At headquarters, we'd decided that we should tailor our stores to the individual markets, and make them more like a community store. Well, this store was in an area that was about 95 percent black, so it was a good place to start."

Porter and his area merchandiser, Rod Griffin, decided their first step would be to keep "a few basic lines" in their own warehouse, but to turn the rest of the department over to a local distributor, Harris Beauty Supply.

"Harris helped us a lot," says Porter. "They knew bet-

Continued on page 36

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SupeRx tests series of customized prototypes

Continued from page 35

ter than we did how to tailor the department." Since remodeling the Decatur store, Porter and Griffin have customized two other stores, a fourth is in the works and a fifth is possible. "All three sets are totally different," says Griffin.

The ethnic department is now highly visible in the stores. It's on the opening wall, and it takes up about 80 percent of the cosmetics department and then flows into ethnic hair care.

In the Decatur store, the section opens with a 15-foot run of hosiery. Porter added one ethnic hosiery line, Afrotique, and gave it six feet in the section. The chain is thinking of adding a second ethnic line in another three feet.

Normally, SupeRx would put a fragrance set or promotional cosmetics right after the hosiery. But in this store, Griffin and Porter have put in about 12 feet of all the darker Revlon face shades, plus Revlon's lip and nail colors.

The Revlon set leads into the pegged section where SupeRx has given about another 20 feet to the darker shades in select mass lines, specifically Cover Girl, L'Oréal, Maybelline and Max Factor. Management has kept the regular lip and nail shade selections from all the general merchandise lines it carries, including Aziza, Coty and Bonne Bell, in addition to the others.

Trying to add lines

The pegged wall also includes generous space for the regular ethnic lines such as Posner, Zuri and Ultra Sheen. There are no department store ethnic lines, like Flori Roberts, in the set yet, but Harris is trying to add at least one more ethnic cosmetics line.

SupeRx also kept its two budget lines, Artmatic and Wet 'N Wild, because Griffin says they continue to sell very well in black neighborhoods.

All together, cosmetics has about 33 feet in the Decatur store, Griffin estimates, and then it flows into about six feet of hair accessories, including rollers and shower caps.

The hair care section comes next, and here again Porter and Griffin have toned down the general market lines and given more space to products made specifically for black and Hispanic needs. The general market shampoo section has been scaled back, and color has been expanded from about six feet to 12 feet.

"Each store is allowed to pick out the items that it wants," says Griffin.

When Porter, Griffin and Harris Beauty Supply were finished with the store, the ethnic hair care set had been expanded from 18 feet to 54 feet and the entire ethnic set, including hosiery and cosmetics, had grown to 84 feet.

"This was one of our bigger stores, with about 12,000 square feet of selling space," says Griffin, "so we could give it that much space. Our second remodel was done in a smaller store, with about 9,600 feet of sell space, so we expanded the ethnic set to about 72 feet.

"In that store, too, the neighborhood included more older, white customers, so we kept the full lines of Cover Girl and Maybelline, and didn't do as much with Revlon, Max Factor and L'Oréal."

After SupeRx completed each remodel, the chain promoted the changes aggressively, trying to show the neighborhood customers that SupeRx did have the selection they wanted.

The chain also did radio advertising, give-aways and instore demonstrations. Griffin says the chain now "always has something going promotionally in that department. We're doing an endcap promotion each month, and that means we have different specials that we can offer our customers."

"It's worked pretty well for us," said Porter. "This is a very competitive market, and before we made the changes our sales in ethnic were flat. Now we're up about 6 percent and it's growing."

Porter says SupeRx averages about 30 percent margin in ethnic.

New packaging for Long Aid

MEMPHIS — Keystone Laboratories has repackaged its Long Aid product line to reflect "the bolder, brighter, more modern attitude of our consumers," said Melinda Menke-Burns, president.

The new, contemporary, upscale look for the established line came out of consumer research that indicated people wanted see-through packaging and more usage information. Clear packaging lets people know when they need to replenish, and "customers prefer to judge product quality before buying," she added.

The line now sports a bold white LA symbol, which clearly identifies each product as a member of the brand family.

Keystone has also introduced three new products to the Long Aid line: Aloe Vera Gel Extra Light Conditioner, Relaxed Hair Manager and K7 Oil Moisturizer.

Where Would Any of Us be Without Just One Break?

Most of us would never realize our potential if we didn't have someone believing in us enough to give us that one break when we needed it. But then there are those among us, who—because of a physical or mental encumbrance—haven't found a break coming their way.

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J.O.B.'s involvement provides that break for well over 300 disabled men and women yearly, right here in New York. But of all of J.O.B.'s virtues, maybe the most important is its unfailing belief that there is dignity, pride and potential in virtually all human beings. And all that's needed—in most instances—to let those human qualities flourish, is simply . . . just one break.

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SAMI/Burke tracks private label — Page 8

Time for el… merchand… — Report

…ombos - Page 37

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DRUG STORE NEWS®

Vol. 10/No. 19 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Sept. 26, 1988

Perry Drug Stores results for last four quarters

	1988 3d qtr.	2d qtr.	1st qtr.	1987 4th qtr.
Sales	$165 m	$158 m	$175 m	$189 m*
Net earnings (loss)**	($14.2 m)	$275,000	$1.8 m	($4.6 m)

*Includes results of Auto Parts Division
**Excludes loss from sale of Auto Parts Division

Source: Company reports

Perry Drug swallows big third-quarter loss to boost sales

PONTIAC, Mich. — Shrinking gross margins and uncollected third-party bills led to a $14.2 million net loss from continuing operations for Perry Drug Stores in the third quarter, reversing a recent upward trend in profits for the 2,223-store drug and health care chain.

The loss compared to earnings of $97,000 in the same period last year. For the first nine months of this fiscal year, Perry has suffered a loss of $24.6 million, compared to a loss of $3.3 million

Continued on page 94

Kroger mulls a breakup to stymie Hafts' overture

The plan: core focus, heavy debt load

By James Frederick

CINCINNATI — Fighting to maintain its independence in the face of a possible takeover bid from the Haft family, Kroger Co. is considering a restructuring plan that would strip the company of all non-core operations and load it with debt in exchange for a substantial cash payout to shareholders.

The plan, announced Sept. 13, involves the declaration of a special dividend of approximately $40 on each common share of Kroger stock. The dividend would also include a junior subordinated deferred-interest 20-year debenture with an expected trading value of about $8 for each common share.

The rumors surrounding the proposed restructuring and possible takeover by the Hafts drove the price of Kroger's stock up more than $10 Sept. 13, to $50.25.

Meanwhile, Moody's Investors Service said it was reviewing Kroger's securities ratings for possible downgrading, since the proposed recapitalization would raise its already high debt level.

Kroger's move followed quickly on the heels of an announcement by the Federal Trade Commission that the Haft family had received federal clearance to accumulate a stake in the giant food and drug retailer. Through spokesman Stanley Rubenstein, the Hafts refused comment on the go-ahead, which clears the way for the acquisition of at least $15 million in Kroger stock.

Arbitrageurs on Wall Street estimated that what's left of Kroger would be traded as a 'stub,' worth about $7 a share.

The $15 million figure reveals nothing about the Hafts' eventual purchase intentions, because it is a commonly-used minimum approval level required by the FTC. Neither the FTC

See **Kroger,** *page 93*

Health test-Rx 'combo' debuts

Medicare-Glaser pilot promotes a professional image

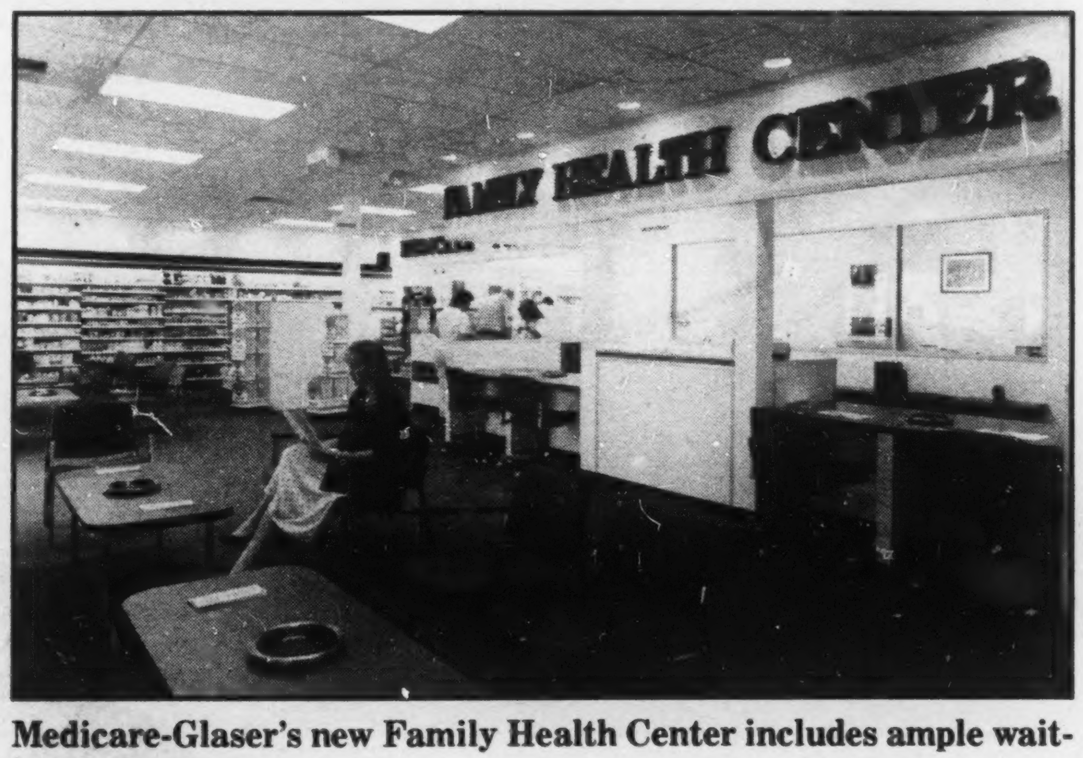
By David Vaczek

ST. LOUIS — Medicare-Glaser has converted a 15-year-old neighborhood pharmacy into a health testing center in a unique pilot program aimed at strengthening its professional image.

The store—called the Medicare-Glaser Family Health Center—features a permanent health screening and testing service, with a full-time staff that includes a registered nurse and a licensed practical nurse. An off-premises doctor acts as a consultant.

Screening and waiting areas and a laboratory largely

See **Med-Glaser,** *page 93*



Medicare-Glaser's new Family Health Center includes ample waiting room space.

LATE NEWS

- IRVINE, Calif. — The American Stores board has asked L.S. Skaggs, 65, chairman and ceo, to delay his retirement until a successor is found. American also elected Dick Scott, chairman and ceo of Osco Sav-on Drug, a management director.
- TWINSBURG, Ohio — Debt payments, lowered gross margins and out-of-stocks pushed Revco's losses to $88.6 million in the fiscal year ended May 28, despite sales upping to $2.4 billion from last year's pro forma $2.3 billion. Operating profits were $96.4 million, down from last year's pro forma $147 million.
- LIVERPOOL, N. Y. — Fay's Drug said it will buy up to 1 million, or 7.4 percent, of its 13.5 million common shares outstanding. The chain has purchased almost 2 million shares over the past 22 months.
- NEW YORK — Moody's Investors Service said it has placed Kroger's securities ratings under review for possible downgrade, since its proposed recapitalization would raise its already high debt level.

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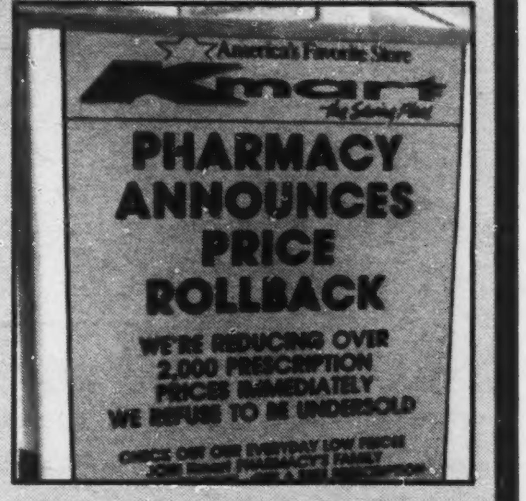
If Mickey Mouse fell ill, he could choose from 12 Orlando Rx chains

"I don't want to speak ill of competitors, but if Phar-Mor were to dry up and leave town, I wouldn't be upset."
—Pharmacist.

"Going head-to-head against Phar-Mor isn't good sense. You need to be competitive, but you're not going to match every item."
—Deep discount franchisor.

"Phar-Mor and Drug Emporium and Freddy's have forced prices down."
—Pharmacy manager.


America's Favorite Store
Kmart
PHARMACY ANNOUNCES PRICE ROLLBACK
WE'RE REDUCING OVER 2,000 PRESCRIPTION PRICES IMMEDIATELY
WE REFUSE TO BE UNDERSOLD

Sign by entrance reflects intense price pressures in Orlando. Many retailers here match competitors' Rx prices.

By Al Heller and Susan Ball

ORLANDO — Phar-Mor has shaken up this central-Florida market more in one year than Drug Emporium has in eight, through sharper pricing than people had ever seen here.

"Customers come in and amaze me! They'll quote a Phar-Mor price on a prescription that's maybe $15 below my cost," said Linda Smith, pharmacy manager at a 4-month-old Publix supermarket with pharmacy located in a developing neighborhood. "We just can't go that low."

During a recent visit to this market, it was evident that drug chains and competing pharmacies will go to great lengths to gain a foothold in Orlando, where anticipated growth over the next few years has an all-star roster of retailers willing to crunch in a currently overstored market.

That roster of pharmacy operators includes Eckerd, Rite Aid, Walgreens, K mart, Wal-Mart, Publix, Albertson's, Gooding's, Winn-Dixie, Phar-Mor, Freddy's and Drug Emporium. Whew!

There is no pharmacist shortage here, sources told *Drug*

See **Orlando,** *page 4*

NEWS IN BRIEF

Judge blocks American-Lucky merger

LOS ANGELES — Although Federal Trade Commission approval has already been granted, a federal judge has temporarily blocked the merger of American Stores' Alpha Beta division and Lucky Stores.

Los Angeles Federal District Judge David Kenyon granted a temporary restraining order in response to an antitrust lawsuit filed by California Attorney General John Van de Kamp. The suit claims the $2.5 billion merger will stifle competition in California and raise consumer prices.

The ruling requests that Lucky and Alpha Beta continue to operate separately at least until the next scheduled hearing. (At press time, the next court date was set for Sept. 16.) Kenyon's ruling does not prevent the company from selling Lucky's Kash 'n Karry Florida stores, Arizona locations or the 37 stores to be sold under the FTC's order.

Lucky ceo John Lillie said the merger would "bring an estimated $50 million in savings to consumers per year."

American Stores intends for Lucky to operate all of the combined 567-store grocery chain under Lucky's every-day-low pricing policy. Under this operating structure, analyst John Kosecoff with First Manhattan in New York said consumers would indeed save money. He noted that Alpha Beta "hasn't been pricing competitively."

Two cosmetics buyers named at Peoples

Thomas

St. Ledger

ALEXANDRIA, Va. — Peoples Drug has created two new buying positions in its Corporate Cosmetics Marketing Group.

Errett R. Thomas, a Peoples veteran since 1978, has been named to the position of corporate buyer for ethnic programs, and Mary St. Ledger, who started working for Peoples when she was in high school, has been named corporate buyer, fashion accessories. Both report to Vicki Wiliams, Peoples' corporate vp of cosmetics.

Polark new Walgreen administrative vp

DEERFIELD, Ill. — Walgreen Co. has promoted Roger Polark to vp-administration, replacing L. Alan Crotty, who died in May. Polark last served as division vp in charge of corporate accounting and controller.

Replacing Polark in that post is former general auditor Roger Clausen. Chester Young has been tapped to fill Clausen's old post.

Walgreen has also named Joel Levin division vp in the tax department.

Roberson heads Eckerd Vision Group

CLEARWATER, Fla. — Eckerd has named Richard Roberson, former vp-treasurer and controller, to the newly-created post of president of the Eckerd Vision Group. Roberson will oversee the launch of as many as 10 new Visionworks eye wear centers over the next 12 months, bringing the total to 21. He will also manage the 75 optical centers in Eckerd drug stores.

Roberson has also been named a senior vp of Eckerd Corp., chairman Stewart Turley announced.

Roberson's duties in finance will be taken over by the current financial staff, under Jack Boyle, senior vp-finance and administration.

Edward M. Nelson III to top chain slot

Nelson III

PARKERSBURG, W. Va. — Edward M. Nelson III has been named president and chief operating officer of Nelson's Prescription Drug Stores, according to Edward M. Nelson Jr., who was recently elected chairman and ceo of the 10-store chain.

Previously vice president, Edward Nelson III will be responsible for the day-to-day operations and trade relations of the 35-year-old chain, which has stores in West Virginia and Ohio. The elder Nelson will concentrate on financial and long-term planning.

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Vol. 10, No. 19 Sept. 26, 1988

Better margins and controls spur Fay's to record 2nd qtr.

LIVERPOOL, N.Y.—Fay's Drug cited increased gross margins, effective expense controls and contributions from its specialty retail divisions as key factors in achieving record net earnings and net earnings per share for the second quarter of fiscal 1989.

Net earnings for the quarter ended July 31 rose to $2.2 million, or 16 cents per share, from $1.2 million, or 8 cents per share for the comparable period last year.

Revenues for the period increased to a record $127.1 million, from $124.4 million a year ago.

"Our performance in the second quarter is confirmation that the programs we have in place are producing positive results," said Henry A. Panasci Jr., Fay's chairman. "Sales results were impacted by the sale and closing of our stores in the New England market and reduced sales of low-profit promotional merchandise.

"After recording nine consecutive quarters of increased earnings, we expect this positive trend to continue throughout the second half of the year," he continued.

Net earnings for the first half increased to $3.2 million, or 23 cents per share, compared with $1.3 million, or 9 cents per share, for the first six months last year. Revenues for the first half increased to $249.5 million from $235.1 million.

Per share figures have been adjusted for a 10 percent stock dividend distributed June 28.

During the second quarter, Fay's sold nine stores and closed five in Connecticut and Massachusetts. A net charge against earnings of $450,000 related to the sale and closing of stores, including asset write-downs and carrying cost adjustments associated with the closed stores, are reflected in the second-quarter results.

Also during the second quarter, two Fay's units were reopened following remodelings, and a bantam store was acquired.

Since July 31, Fay's has opened two stores and plans to open two more drug stores, two Paper Cutters and one Wheels Discount Auto Supply store by the end of the year.

> *'Sales results were impacted by the sale and closing of our stores in the New England market and reduced sales of low-profit promotional merchandise.'*
>
> **—Henry A. Panasci, Jr.**
> chairman

Sixty years of drug store retailing

The following items were taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

WASHINGTON, D.C., 1928 — "In testing new merchandise we remove the mental hazard by disguising the identity of the goods. If we have four kinds of chocolate soda we wish to compare, we give them numbers and get unbiased opinions. Otherwise, if we set up one particular kind and then asked our men whether they liked the other fellow's or preferred ours, they'd all select ours just to make us feel good." — Wallace J. Smith, The Peoples Drug Stores.

50 years ago

NEW HAVEN, Conn., 1938 — By its loyalty to local products, the Liggett drug store, New Haven, Conn., is doing its share in overcoming the charge that chain stores have no roots in the local [economy] from which each store's income is derived.

Candy, rubber goods, drugs and cigars made in New Haven are included in the merchandise which is being featured. In fact, the biggest seller at the cigar counter is a cigar made up especially for the store and sold there exclusively. It is called "Church and Chapel," the names of the two streets where the store is located. The cigar box shows a picture of the New Haven, Liggett store.

40 years ago

LOS ANGELES, Calif., 1948 — Full advantage is taken of a bus-stop corner location in the design of a new Thrifty drug store at Colorado Blvd. and Lake St., Los Angeles. A projecting structural canopy and recessed corner opening provide convenient waiting space, while the store's all glass front makes the most of this situation. Window glass slopes inward to reduce reflection.

30 years ago

INDIANAPOLIS, Ind., 1958 — Haag Drug, Indianapolis, was prepared for any sort of weather when in a June ad it advertised cooling units on one side of the page and electric blankets on the other.

20 years ago

TWINSBURG, Ohio, 1968 — Revco offered a 50¢ discount on any Revco label vitamin in exchange for an empty bottle of any brand vitamin in one ad, and in another kicked of its "Stork-Aid" 10 percent discount on baby products for babies up to three years old.

10 years ago

SEATTLE, Wash., 1978 — After 12 years and a total of five stores, Pay 'n Save is leaving the Canadian market for home. In a transaction totalling approximately $2.25 million to be paid over a 10-year period, the Seattle-based chain is selling its Canadian operation, Pay 'n Save Drugs Ltd., to the National Group of Management Services, a Canadian firm.

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SPECIAL SAMI/BURKE REPORT

Private label dollar sales levels for drug stores in 10 geographically dispersed major markets 12 weeks ending July 15, 1988

(dollar share in drug stores)

Market	Natural vitamins, minerals, supplements	Synthetic vitamins	External analgesics	Cold remedies	Baby oils, creams, lotions	First aid products	Baby powders	First Aid antiseptic	Internal analgesics	Dental aids
Boston	37.3%	32.6%	23.8%	11.9%	23.5%	17.8%	16.3%	17.0%	14.7%	13.4%
New York	48.7*	30.5	27.0	7.6	19.8	21.0	19.0	16.7	10.1	15.3
Atlanta	30.2	31.7	29.8*	16.2	27.3	27.9*	24.6	22.6	18.3	13.1
Miami	29.0	23.6	22.9	9.7	11.7	22.3	15.4	18.9	10.6	13.8
New Orleans	32.6	26.5	26.9	12.9	18.5	24.5	22.0	21.2	14.0	13.9
Cincinnati	43.8	36.0*	23.6	15.1	27.0	25.6	27.5	19.2	16.0	19.7*
St. Louis	16.6	15.3	9.6	6.5	8.7	11.8	11.8	14.0	7.5	17.9
Dallas	25.5	29.6	28.5	16.9*	30.5	27.9*	26.4*	23.3*	21.2*	13.9
Denver	17.6	24.2	13.4	5.3	9.9	10.5	6.6	12.3	7.4	5.3
Los Angeles	28.6	28.9	23.7	12.8	32.8	16.7	22.0	15.9	11.5	13.2
Total U.S.	33.5	30.5	23.7	12.8	22.2	19.8	18.9	18.3	14.4	14.3

* Highest share among geographically dispersed markets

Source: SAMI/Burke

PL garners 9% of drug stores' dollar volume

Product Tracking

Alan Miller

Since 1970, SAMI has been issuing detailed reports on national private label trends in food stores on an annual or semiannual basis. When generic labels became an important competitive factor, we became the font of industry knowledge as to the comings and goings of the plain wrap entries.

The store brand peak among the 100,000-plus food outlets represented in our tracking service was reached in 1982, when a combination of inflation and recession in the economy created a high level of price consciousness among consumers.

Now for the first time we have both national and local market data showing the performance of private label brands in drug stores. With this new data, we are able to compare drug store private label sales with those in food stores. We are also able to see the differences in drug store private label dollar shares from one market to another.

This report will attempt to shed some light on both variables, based on sales movement data for the 12-week reporting period ending July 15, 1988.

Of the 52 H&BA product categories which have been tracked by SAMI for more than two years, there are private label competitors in 49. The only categories with no store brand activity are cream deodorants, proprietary tranquilizers and razor sets.

In 19 H&BA categories, drug store private labels command a share greater than 10 percent. In all 52 categories combined, they accounted for $168 million for the 12-week period. On an annualized basis that amounts to about $700 million, or 9.2 percent of total dollar volume. This is more than double their share in the same 52 categories in food stores (currently standing at 4.3 percent).

The highest PL penetration levels among drug stores are found in vitamin categories: a 33.5 percent in the case of natural vitamins, minerals and supplements and 30.4 percent for synthetic vitamins. The food store shares also exceed 30 percent in these two categories. The third highest share level is 23.7 percent, in the external analgesics category. Here, the food store penetration level is nearly 7 share points higher.

In most of the proprietary remedies, private label shares in drug stores are substantially higher than in food stores.

For example, in first aid antiseptics, private labels account for 18.3 percent of 12-week dollar volume in drug stores, but only 9.8 percent in food stores.

Among cold remedies and proprietary sleeping aids, the difference between outlets is even greater. For cold remedies, the shares are 12.8 percent in drug stores versus only 4.6 percent in food stores; for proprietary sleeping aids, the comparison is 12.1 percent for drug stores and less than 1 percent for food stores.

The category with the highest 12-week private label dollar volume in drug stores is internal analgesics, with $23.6 million. Second is synthetic vitamins with $22.1 million. Although the private label drug store share among external analgesics is 23.7 percent—third highest—the dollar contribution amounted to only $6.2 million.

We have also recorded the shares among the top 10 H&BA categories ranked on a national drug store share basis for each of 10 major, geographically-dispersed SAMI markets.

Here we see that certain markets, such as Dallas/Ft. Worth and Atlanta, generally are strong private label markets overall, and St. Louis and Denver generally bring up the rear. These findings can probably be traced to the merchandising policies of the leading retailers in the various markets.

We have been observing this fact of life among food stores for close to 20 years and so it comes as no surprise that there are peaks and valleys in the acceptance of private labels in drug stores from one market to another.

Alan Miller is consultant to SAMI/Burke, Inc., and former vp of sales service at Selling Areas Marketing, Inc.

Capitalizing on the fact that the highest PL penetration levels among drug stores are found in the vitamin category, the Walgreens unit in Newton, Mass. puts the chain's brand on an endcap.

H&BA categories with highest 12-week private label shares Dollar basis, drug stores vs. food stores

(Period ended July 15, 1988)

Category	12-week private label share Drug Stores	12-week private label share Food Stores
Natural vitamins, minerals, supplements	33.5%	35.4%
Synthetic vitamins	30.4	31.1
External analgesics	23.7	30.3
Baby oils, creams, lotions	22.1	18.5
First aid products	19.8	16.4
Baby powders	18.9	14.4
First antiseptics	18.3	9.8
Internal analgesics	14.4	6.7
Dental aids	14.3	13.6
Cold remedies	12.8	4.6
Sleeping aids	12.8	0.9
Pre-shaving lotions	12.7	1.7
Toothbrushes	12.2	4.9
Cough remedies	12.1	4.0
Feminine douches/washes	12.1	4.0
Denture cleaners	11.6	2.2
Laxative & stool softeners	11.5	5.2
Deodorants & talcum powder	11.2	1.7
Nasal spray, drop, inhaler	10.6	4.9

Source: SAMI/Burke

Automation takes the drug store industry by storm

By Susan Ball

Drug stores are plugging into the electronic age with a speed and gusto matched only by the rate at which the technology is surging into new areas.

Even smaller chains and independents are entering the world of automation; with pharmacy computers almost as common in drug stores now as freezers are in supermarkets, more and more drug store operators are looking to point-of-sale (POS) systems, scanning and beyond: to such capabilities as electronic credit-card authorization and third-party processing, and, looming on the horizon, electronic funds transfer.

For leaders in drug store automation, such as Pay Less NW, Rite Aid and Walgreens, the commitment to chainwide automation has already been made and is being implemented. A few, such as Pay Less NW, Osco and Thrifty, have POS systems in place in all their stores; others are steadily progressing toward that goal. Still others, such as Rite Aid, are pausing in their push toward chainwide systems while they assimilate acquisitions.

A major challenge for these leaders surrounds the human factor: how to bring their people on-line in terms of understanding and acceptance of the technology, and how to use the mass of new information available to the best advantage in running their stores.

"The major chains are studying and making the transition," said Ted Rosner, manager of operations at the SupeRx division of Hook-SupeRx. "The impact [of automation] is phenomenal and affordable."

Must do it gradually

The technology is necessary, Rosner said, "in order to handle our future; but if you don't do it gradually, it becomes a bottleneck rather than a boon."

SupeRx, which has POS chainwide, pluggable to scanning, has introduced more sophisticated capabilities one phase at a time; "otherwise, you lose people," Rosner said. "Once our people get used to daily and weekly balancing with POS, we'll take them to scanning, and then to the next phases."

For Pay Less NW, which has had POS for about five years and has installed scanning in 70 of its 255 stores, the challenge now is to "utilize the information more fully," said James Baer, vp-electronic data processing.

The processing of the masses of data gathered by POS and scanning systems requires a major investment of time as well as money, and many drug chains, and even supermarkets, are a long way from utilizing the data to the fullest, even if they have the costly central data-processing units necessary to do so.

But while automation leaders are facing the problem of how to put the data to maximum use in operating their stores, many chains are still struggling with testing systems, figuring out how to protect investments in existing equipment as they upgrade, and working out a timetable for installing equipment chainwide.

For example, Wayne Cammack, the new vp-manager of information services, at Shoppers Drug Mart in Canada, said SDM put all systems development on hold last winter, in order to take stock of the marketplace, their internal information systems and the company's direction for future growth.

Standardization of systems

The chain is now moving toward standardization of systems. It has chosen one vendor for implementation of pharmacy computerization chainwide (about half of its 600 store have pharmacy computers) and one store-level accounting system and is in the process of evaluating POS vendors. Eight stores already have one type of POS equipment, and from those, "we've learned a lot about installation, how to operate them, how to gain the maximum benefits," said Cammack.

The very definition of POS is hard to pin down. It can simply mean electronic cash registers, and it can mean much more: functions such as automated pricing, time and attendance, electronic mail, movement tracking, productivity tracking and security reporting, to name a few.

Systems can be tailored to individual chains' needs. At Fay's, for example, POS currently consists of electronic cash registers that have promotional price lookup—vital to this highly promotional chain.

With promotional price lookup, a chain can post signs telling customers the sale price that will be entered at checkout, eliminating re-stickering each item for the sale, and then stickering again when it's over.

"It's a tremendous savings of labor, aggravation and dollars. It allows you to capture the data so that you know how each item did vis-a-vis the ad," said one manager information services specialist at another chain. "That alone can pay for a system."

Determining whether POS is cost-effective "can be fast or can take a year to analyze," said John Frazzini, general manager of Stores Automated Systems Inc. (SASI).

"The information gathered becomes valuable very fast with more than one store," he continued.

Point-of-sale and scanning at drug chains

Retailer	Total drug stores	With POS No.	With POS %	With scanning No.	With scanning %
Osco	650	650	100%	140	21%
Rite Aid	2,138	631	30	631	30
Hook-SupeRx*	694	337	49	7	1
Thrifty	655	260	40	2	3
Pay Less NW	255	255	100	70	27
Eckerd	1,577	225	14	0	0
Fay's	150	150	100	3	2
Brooks	348	100	29	3	1
Thrift	423	89	21	89	21
Arbor	80	80	100	0	0
Peoples	813	70	8	70	8
Dart	66	66	100	0	0
Kent	72	42	58	0	0
Thrifty-White	59	34	58	1	2
Medicare-Glaser	86	28	33	3	3
F & M	55	15	27	15	27
Perry	223	12	5	12	5
Snyder	61	12	20	1	2
Shoppers Drug Mart	600	8	1	8	1
Kinney	28	4	14	0	0
Drug Fair of N.J.	30	4	13	4	13
Longs	233	2	1	2	1
Genovese	85	3	4	3	4
Big V	102	1	1	1	1
CVS	734	1	0.1	1	0.1

*Hook-SupeRx figures include the entire division of 337 SupeRx stores equipped with POS, and 357 unequipped Hook stores.

Source: *Drug Store News* research

Five years ago, it might have cost about $150,000 to equip a 15-lane store with POS terminals and one control device in the back. Today, for $200,000, such a store could have two controllers, enough disk space to put all items on file, and terminals with scanners, according to one estimate. In other words, with a relatively small increase in investment, chains can get a bigger, better, faster system.

There have been rapid changes in POS technology since the first generation was introduced in the 70s. The equipment has become more flexible, easier to program and easier to operate. And where older systems had a fixed number of capabilities, systems now are designed to integrate added features, so retailers can grow with the system they have. A chain might not initially choose to handle credit-card authorization electronically, for example, but can add that function later. "The features are available," said Frazzini. "Whether you want to take advantage of them now depends on your needs."

When SupeRx, for example, bought a POS system in 1984, the vendor, Tech America, provided ROM-based (read-only memory) registers but agreed to later convert them to RAM-based, or host-programmable, so that down- and uploading is done centrally through the corporate mainframe. Scanning can be added when the chain chooses. "We bought tomorrow's technology," said Rosner.

SupeRx's system includes daily and weekly balancing, daily cashier reporting, video rentals, lottery functions, departmental movement reporting and gross profit reporting.

In what might seem a minor feature, the chain's POS system also has allowed it to comply with new federal regulations on deposit of checks without modifying the equipment.

Now that SupeRx is 100 percent POS-equipped, the company is moving to continue already scheduled updating of the recently-acquired Brooks division with POS, after which the Hook division is scheduled to be converted.

Some chains have gone beyond basic POS and scanning capabilities. Pay Less NW, for example, already offers such services as electronic credit-card authorization and electronic funds transfer (EFT).

While electronic credit-card authorization systems are already being installed or tested at several chains, electronic funds transfer is at the cutting edge of paperless transactions at the register and may be the wave of the future for drug chains. EFT, using automatic teller bank cards or "debit cards," speeds up checkouts, a major plus for consumers. The EFT transaction can take as little as 10 seconds.

Another benefit

Another benefit to customers is that it streamlines the identification process. The customer enters a secret personal identification number, or "PIN" number, in the POS system, and if the bank approves the transaction, it is complete. Shoppers also save money on buying paper checks.

For retailers, the faster transaction and convenience afforded by EFT translates into increased sales and reduced labor costs, plus better security.

Representing automation on a truly large scale is the Carrefour Hypermarket in Philadelphia, which has adopted the Grocery Management System (GMS), from ICL North America. The installation contains the largest single scanning site of POS terminals in the country—61 front scanning lanes, plus six other POS terminals throughout the store. It also includes networked microcomputer-based retail control-

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Thrifty•White tests electronic credit card authorization in two Jamestown, N.D. units

MINNEAPOLIS — Thrifty • White, based here, is testing electronic credit card authorization in two of its stores, both located in Jamestown, N.D.

Like many other chains, the 59-store chain sees the magnetic-stripe card verification system as a way to achieve quicker authorization on MasterCard, Visa and other card transactions and to make funds available more quickly for Thrifty•White to put to other uses.

"More people are using credit cards now, and it was getting burdensome to process them the old way," said Henry C. Beinert, president of White Drug Enterprises.

"The transaction takes a very short time, and there is no dialing of numbers or writing the proper authorization number, which cuts down employee mistakes," Beinert said.

The chain chose the Envoy Co. for the test, partly because it also offers the option of electronic processing of third-party claims, a feature the chain may add eventually.

In evaluating the test, Beinert said the chain will be looking at how well employees adapt to the procedure, how fast the cash actually can be moved back into the main account and whether it saves time and money at store level.

Scanning is becoming accessible to drug chains

Scanning, once considered "the expensive toy of retail food stores," in one drug store executive's words, is becoming accessible to drug chains.

Just a few years ago, most drug chain execs weren't even thinking of scanning. But several factors have changed their minds: the cost has come down, enough product lines in drug stores are now UPC-coded to make it feasible, technology has improved and the equipment is more compact.

Moreover, "the fact that it's a proven technology [from over a decade of use by many supermarkets] is very important," said Wayne Cammack, vp-manager of information services (MIS) at Shoppers Drug Mart.

"Drug stores don't save money because scanning is faster. Although it allows improvement in customer satisfaction by checking them out faster, you still have to man the cash register for any number of customers. Scanning allows you to keep up with customers with the same amount of labor," said John Frazzini, general manager of Stores Automated Systems (SASI).

But scanning's advantages for drug stores include:

- It cuts down on price-marking products, which saves labor and increases reliability.
- It affords cashier accountability through polling drawers and cash reporting.
- It provides a more precise picture of what is being sold at checkout, capturing more information more accurately than by manual key-in.

Frazzini, who was formerly a MIS executive at Perry Drug Stores, tells one story from his Perry days to illustrate the value of POS with scanning [all numbers used are "ballpark" rather than real, as Perry's actual sales numbers or percentages are confidential]:

"We were examining the POS gross-margin report from one of our stores and found a three-digit negative number indicating we were selling baby milk under cost [approximately $1.75 versus about $2.05]. I asked why we were losing 30 cents per item sold, and the store manager replied that it was necessary to be competitive and also that selling baby accessories made up for the gross margin loss. I asked what the gross margin was across baby products and was told 24 percent."

Frazzini suggested raising the price of baby milk to $1.99 for about six weeks, while instructing the system to monitor baby milk and accessories.

"What we found was that the same number of customers bought baby milk and about the same amount of baby milk was sold. Moreover, the gross margin was higher—27 percent. Not only that: a nearby store raised its baby milk price to $1.99. We didn't lose any customers and sold the same amount of milk, but at 30 cents higher."

Where a scanning device used to cost between $3,000 and $4,000, one slot or hand-held device costs about $1,500 now. Moreover, older scanning systems required a generator (which could cost another $60,000) and special cooling equipment, whereas recent systems don't.

The newer slot-scanning equipment is also less bulky and provides a better "read." The more compact units have cut installation costs, retailers say, so that "all you need is a carpenter with a saw to make a hole in the counter and drop it in," said one MIS exec.

Add scanning with little fuss

A chain like SupeRx, a division of Hook-SupeRx, which has a POS system pluggable to scanning, can add scanning with minimal fuss by installing a file controller and reader.

For Pay Less NW, which has installed scanning in 70 of its 255 stores and plans to be equipped chainwide within the next two years, the main purpose of scanning is customer service, with its labor-saving possibilities secondary.

"There's no question that scanning is cost effective," said Jim Baer, vp-electronic data processing. "But while cost and information justification is important, the top factor is service. Scanning reduces labor efforts, but those efforts will be channeled to serving customers."

Automation

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lers, 24 personal computers and a back-office merchandising system.

Among other things, the system can provide on-line credit card authorization and purchase without traditional credit card forms, electronic approval of customer courtesy cards and automatic printing of store name and purchase amount on personal checks.

The back-office system performs sales transaction processing, stock inventory control, interface to hand-held scanners, promotional planning and control, and other functions.

An in-store Local Area Network (LAN) links communications among systems, both in-store and with corporate or regional offices.

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BEAUTY TRENDS

Drug chains battle for hair care market share; economy brand promos generate strong profits

Buyers report that chain drug store sales of hair care products are flat to up about 10 percent, depending on the chain and the market.

Many chains are reporting flat sales due to the lack of major new product introductions in this category and to intensifying competition from food, mass merchandise and deep discount drug chains, many of whom often advertise or stock brand name hair care items at sharply discounted prices.

Those chains that do report some growth say it is partly due to the fact that they are putting more promotional and advertising support behind the economy brands, whose high turn rates generate strong dollar profits.

Many chains also are expanding their merchandising and advertising of the more upscale brands like Pantene, Sassoon, Jhirmack, and Jheri Redding, as well as the salon lines like Aussie, TRESemmé, Infusium and All Set.

The chart below shows how manufacturers are promoting their hair care product roll-outs.

On the following pages, Drug Store News *profiles merchandising activity at prominent drug chains, and presents hair care product market data from A. C. Nielsen Marketing Research.*

Hair care: new product launches*

Brand	Manufacturer	Quarter of launch	Comments
Pantene Style & Hold	P & G	3rd '88	Line extensions: Three new SKUs: a spritz and two unscented hair sprays.
Nice n' Easy	Clairol	3rd '88	Line extensions: three new shades.
Aqua Net	Fabergé	3rd '88	Line extensions: Pro-Spritz Aerosol Styling Spritz in scented and unscented ultimate hold formulas. Also new line of Professional Non-Aerosol sprays, shampoos, conditioners, gels, and mousse.
L'Oréal Frost and Design	Cosmair	3rd '88	New Line. Strengthens and conditions hair during frosting process. Especially good for permed hair.
Clairol Condition Styling Gel Maximum Hold	Clairol	3rd '88	Line extension: Now a three-SKU line.
Perma Soft	Lamaur	3rd '88	Line extensions: Gel and Gloss and Spritz and Shine.
Dippity-Do	Gillette	3rd '88	Line extensions: Eight-ounce pump and three new styling aids: Hair Zapper Styling Spritz, Crazy Glaze Styling Liquid, and Hot-Do Thermal Conditioning Styler.
Clairol Balsam Color	Clairol	3rd '88	New packaging.
Agree	S.C. Johnson	3rd '88	New package and new formula. Also a Moisture Rich shampoo and conditioner line extension.
FREEZ'2000	Image Labs	3rd '88	New spray with superior holding power. Not sticky. Dries fast.
Clairol Condition Styling Mousse with Maximum Hold, Hair Spray with Maximum Hold, and Spritz	Clairol	3rd '88	Line extensions.
Loving Care No Peroxide Color and Color Mousse	Clairol	3rd '88	New packaging and new ad campaign.
Treatment de Pantene Vitamin Moisturizer de Pantene	Pantene	3rd '88	New line of intensive hair conditioners.
Revlon Perfect Touch Styling Perm	Revlon's Professional Products Division	3rd '88	Designed for longer-lasting support.
Final Net Ultimate Hold Hair spray	Clairol	3rd '88	Line extension.
Finesse	Helene Curtis	3rd '88	Major relaunch. New formula and packaging. $40 million ad support.
Freeman Australian Tea Tree Oil Shampoo	Freeman Cosmetics	2nd '88	Line extensions.
Power Pac	Duart Industries	2nd '88	Deep conditioner to revitalize damaged hair. Works in five minutes.
Alberto	Alberto Culver	2nd '88	A $19 million ad budget will support the entire Alberto line this year. There's also a new company spokesperson, model Patrick St. Clair, who portrays the stylist, Alberto, in TV and print ads.
White Rain	Gillette	2nd '88	Line extensions: Baby shampoo/ conditioner.
Aqua Net	Fabergé	2nd '88	Aqua Net non-aerosols have been repackaged, reformulated and SRPs have been lowered. Support includes print campaigns that will break in May and run through July. $1-off and two 25-cents-off coupons will be distributed. Pro-Spritz aerosol is a line extension.
Conair Hot Shot	Conair	2nd '88	Non-aerosol line of protective styling mists.
Wella Shock Waves	Wella Corp.	2nd '88	New line geared to teens.
Organics	Fabergé	2nd '88	Reformulated and repackaged New formula contains pan thenol, pro-vitamin B5 and protein to make hair stronger. $12 million is supporting the relaunch.
Queen Helene Designing Collection	General Therapeutics	2nd '88	New three-SKU line of styling products: gel, lotion and shampoo.
Condition	Clairol	2nd '88	Line extension: Spritz Pump Hairspray.
Hair Muscle	Modern Research Labs	2nd '88	New line of deep conditioning products for the hair: Four SKUs.
All Set	DeMert & Doughterty	2nd '88	Line extension: Aero Spritz in travel size.
Nutri Tonic	Del Labs	2nd '88	Expanding distribution. Was only available on West Coast. Also introducing Thicken-It Shampoo; Renew-A- Perm spray and Perm-a-Curr mousse.
Paul Mitchell Symmetry Wave	Paul Mitchell Systems and Gillette	2nd '88	Joint venture. New product will be for salon use only.
Hi-Pro-Pac	New Concepts for Beauty	2nd '88	Line extension: new conditioner for permed and chemically treated hair.
Folicure	Pantresse Inc.	2nd '88	First professional line from new company for retail distribution. One-third the price of comparable department store brand. Thinning hair treatment plus shampoo and conditioner.
Sea Mist Finishing Spritz	Freeman Cosmetics	2nd '88	Line extension.
All Set Ultra	DeMert & Doughterty	1st '88	Line extension: Nonaerosol pump spray. Ultraviolet sunscreens to protect hair.
Studio Line	L'Oréal	1st '88	Line extensions: Four new styling aids.
Roux Fanciful X-tra Body Temporary Hair Color	Revlon's Professional Products Div.	1st '88	Line extension.
Clean & Clear	Revlon	1st '88	New line. New cleaning system removes residue from hair and prevents build-up.
Solution for Thinning Hair	Freeman Cosmetics	1st '88	Line extension.
Jheri Redding Salon Tropics	Conair	1st '88	Tropical scents, plus formula contains "Thermoshield" to protect hair from heat.

*For ethnic hair care new product launches, see *Drug Store News*, Sept. 12, 1988, p. 22.

Source: *Drug Store News* research

Economy brands boost sales 10% for Discount Drug Mart

David Boodjeh, who buys hair care items for Discount Drug Mart, headquartered in Medina, Ohio, says that in the last few months, his stores have seen about a 15 percent unit growth in hair care sales and about a 10 percent increase in dollar sales.

Boodjeh says the growth is coming from Drug Mart's expanding support of the economy brand shampoos, conditioners, and styling aids. "They've taken over from the premium-priced brands that we no longer carry exclusively," he says.

Boodjeh says that these days he'd just as soon not carry some of the premium brands like Ivory, Head & Shoulders or Prell, because "I can't make any money on them. Everybody is giving them away.

"But because of the way we're able to buy the economy brands, which is often by the truckload, we're able to price very competitively yet still keep our margins. That's why our dollar sales and our profit dollars are increasing on these lines.

"We're selling 10 of the economy brands for every one of the premiums, and since we're buying truckloads versus small lots, our margins are better."

Boodjeh says that some of his best sellers right now are White Rain, Aqua Net and L'Oréal's Ultra Rich, all of which he retails for under a $1, usually 99 cents.

In styling aids, which is the strongest growth segment in hair care right now, sales in Boodjeh's stores are up about 15 percent in dollars and 20 percent in units. His best sellers are still the economy brands: White Rain and Aqua Net, especially.

Because price is important to Drug Mart customers, Boodjeh reports that most brands that offer consumer values such as rebates or low prices do well in his stores. He says White Rain, which has been doing some heavy rebating in recent months, has "taken over the market in my stores."

Salon Selectives, one of last year's major line launches, is continuing to do well in Drug Mart stores, but Boodjeh says the line now sells well "only as long as they promote. When they're not promoting, I don't see that much of an everyday demand for it." He added that Textra, another of last year's launches, has settled in and has a stable business, but no dramatic growth or strong promotional surges.

Clairol's Condition and Neutrogena do well in Drug Mart, but although Revlon's new Clean and Clear was selling strong at first, sales have since tapered off somewhat. "We haven't had the problem with getting stock that some

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Vereen Ad Tracking

Chart 1: Percentage of print ads focused on hair care and assorted toiletries in drug, food and discount chains, June 1988

(Percentage of total ad space in print ads)

	Drug Stores	Discount stores	Food stores
Hair care and accessories	7.5%	4.4%	7.8%
Skin care/sun care	9.1	3.9	4.9
Deodorants	2.1	1.6	3.6
Mens' toiletries	4.1	2.9	3.2
***Women's cosmetics**	2.6	1.3	1.2
Nail care	1.0	0.4	1.1

*Excluding nail care

Source: Vereen & Associates

Chart 2: Most frequently advertised hair care brands

(Percentage of June 1988 mass market retail print ads)

White Rain, Gillette	8.6%
Condition, Clairol	5.3
Salon Selectives, Helene Curtis	3.6
Studio Line, L'Oréal	3.6

Source: Vereen & Associates

Chart 3: Most frequently advertised categories in hair care

(Percentage of June '88 mass market retail print ads)

***Styling aids**	39%
Shampoos/conditioners	29
Hair sprays	18
Color	8
Brushes and accessories	2
Perms	2
Other	2

*Includes mousse, gels, spritzers and other fixatives

Source: Vereen & Associates

Chart 4: Comparison of advertised prices for hair care products

(Chain drug print ads for June 1988)

Product	Size	Ad Price	Chain
Preference		$3.99	Osco
Preference		4.99	Peoples
Preference		4.49	Pay Less
White Rain	16 oz.	0.99	Osco
White Rain	16 oz.	1.19	Rite Aid
Studio Line Mega Gel, spray and spritz		2.29	Drug Mart
Studio Line Mega Gel, spray and spritz		2.44	Longs
Clean & Clear	11 oz.	1.89	Eckerd
Clean & Clear	11 oz.	2.69	Hooks
Salon Selectives shampoo/conditioner	15 oz.	1.69	Perry
Salon Selectives shampoo/conditioner	15 oz.	1.99	Walgreens
Aqua Net Non-aerosol	8 oz.	0.88	Osco
Aqua Net Non-aerosol	8 oz.	0.99	CVS
Condition gel	4 oz.	1.29	Longs
Condition gel	4 oz.	Four for $5	Drug Emporium

Source: Vereen & Associates

Chart 1: Hair care sales trends in drug stores

Segment	*Retail Drug $ sales (millions)	% change vs. year ago	Share of all mass market retail sales
Shampoos	$ 376.4	7.5	28.5
Hair color	290.2	11.2	54.1
After shampoo/ conditioners	261.0	6.2	36.2
Hair fixatives	196.0	13.8	30.4
Ethnic hair care	156.9	2.4	55.3
Home perms	65.1	0	49.6
Men's hair preps	52.3	3.2	39.0
Mousse	52.2	(12.6)	33.8
Total	1,450.1	6.8	36.9

Source: Nielsen Marketing Research

Nielsen: Hair care sales up 7%

Nielsen Marketing Services reports that hair care sales in retail drug stores are up nearly 7 percent, to $1.45 billion.

Most of the growth is coming from the hair fixatives category, including gels, mousses, spritzes and sprays. The category is up nearly 14 percent, to $196 million, for the year ending June 30.

The hair color segment is up 11 percent, to $290 million.

Mousse is still down in drug stores. Nielsen estimates that mousse sales declined almost 13 percent to $52 million for the 12-month period that ended last June.

Mousse is still a good category for drug stores, but it is losing sales because many consumers are switching from mousse styling aids to gels, spritzes and sprays.

During this past year, drug stores continued to strengthen their market share of hair color sales. The drug store industry gained half a share point to end the year with 54.1 percent of all mass market retail hair color sales.

They also strengthened their position in perms, ending the period with a 49.6 percent share, up .7 over last year. Food stores continued to be the dominant source of purchase for after-shampoos or conditioners, but drug stores picked up .2 in this category for the 12-month May-June period.

Food stores are also dominant in shampoo sales, ending the year with nearly 51 percent of all mass market retail sales. However, that was down .8 from last year. Mass merchandise stores were the winners in this tug of war. Their share of market went up .8 to 21.3 percent for the period.

Food stores are also very strong in fixative sales, ending the period with a 44.9 percent share. However, food stores' share of fixative sales went down .3 for the period, and drug stores' share went up seven-tenths. Mass merchandisers also lost .3 to end the period with a 24.7 percent share.

Overall, drug stores ended the 12-month May-June period with a 36.9 percent share of all mass market retail hair care sales. That was up .3 from last year. Food stores ended the period down .4 to a 40.5-percent share, and mass merchandisers stayed the same at a 22.6-percent share.

Lotions pace manufacturers' sales

According to Kline & Co., a New Jersey-based market research company that monitors manufacturer sales into retail outlets, the lotion segment of the hair fixatives category, which is primarily spritzes, was up about 80 percent for calendar 1987.

Kline says gel sales also grew dramatically last year, up 35 percent over 1987. Mousse, however, was down in the fixatives segment. Kline reports the 1987 manufacturer sales for mousse were off by 10 percent.

Hair sprays were up 10 percent overall, Kline says. Aerosol sales grew faster than the category as a whole. Kline says aerosol's manufacturer sales in 1987 were up about 12 percent.

Chart 2: Share of hair care dollar sales by retail outlet

Segment	Drug Stores % share	Food Stores % share	Mass Merchandise % share
After-shampoo conditioners	36.2%	43.2%	20.7%
Shampoo	28.5	50.6	21.0
Hair color	54.1	19.9	25.9
Hair fixatives	30.4	44.9	24.7
Ethnic hair care	55.3	23.1	20.6
Men's hair preps	39.0	42.3	18.6
Home perms	49.6	20.5	29.9
Mousse	33.8	42.1	24.0
Total	36.9	40.5	22.6

Source: Nielsen Marketing Resarch

More space and ads spur Perry Drug's hair care growth

At Perry Drug Stores in Detroit, Steve Lund, the assistant vp of merchandising for health and beauty aids, reports that the total hair category is up "substantially" in his stores, but practically all of the growth is coming from merchandising changes that Perry has made in the last eight to ten months.

In an effort to broaden its appeal as a traditional drug store, Perry is giving expanded space and greater advertising attention to all its core H&BA categories, including cough and cold, vitamins, and first aid, as well as hair care.

"Our sales are up substantially, but it's because we're more aggressive in merchandising and advertising hair care, as well as our other H&BA categories," Lund says.

Perry used to merchandise

Continued on next page

Chart 3: Market share trends for conditioners

(Percentage share of total retail sales)

Outlet	1985	1986	1987	1988
Food	43.6%	43.7%	43.5%	43.2%
Drug	37.1	37.0	36.0	36.2
Mass merchandisers	19.3	19.3	20.4	20.7

Source: Nielsen Marketing Research

Chart 4: Market share trends for shampoos

(Percentage share of total retail sales)

Outlet	1985	1986	1987	1988
Food	51.9%	51.6%	50.8%	50.6%
Drug	27.4	27.9	27.9	28.5
Mass merchandisers	20.7	20.5	21.3	21.0

Source: Nielsen Marketing Research

Economy promos pay off for Discount

Continued from page 44

people have had," Boodjeh says, "but it's not selling as strong as it was. It may be they are advertising less now. That, of course, has a lot to do with how well a line sells."

Boodjeh doesn't buy hair color, but he says that segment has been relatively stable for Drug Mart. He estimates sales are up about 5 percent, and the best sellers are in the permanent color category, particularly Nice & Easy and Preference.

Drug Mart also has a professional hair care set in all of its stores. There is a minimum of at least four feet in each store, and Boodjeh says the chain would like to expand it but is having a problem with space. He estimates sales in the department are up 10 percent. Boodjeh says most of the lines in the department are selling well, including TRESemmé, All Set, and the Aussie line.

In mass market styling aids, Bold Hold is doing very well for Drug Mart, but Studio Line is showing a little softness.

In evaluating the new products now entering the market, Boodjeh says he thinks the new premium line that Gillette is planning might do well, and so may the new thermal styling aids that are meant to be used with styling appliances.

Conair is coming out with a thermal aid line called Hot Shot and Gillette has Hot-Do, a thermal conditioning styler.

Boodjeh says this type of products, which has been on the market for a while as salon styling aids, could make it at retail if the manufacturers promote it strongly and explain it well in their advertising.

"If they're promoted, they could do very well," he says, "but Con Air doesn't do that much promoting so we'll have to wait to see what happens."

Aside from adjusting the mix and putting more emphasis behind the economy brands, Drug Mart has not made any dramatic changes to its hair care merchandising in the last year.

However, the chain does try to keep a low price image, and to do that, they have their stores zone-price hair care items, and they are particularly competitive with the top 100 items that are price sensitive.

"We compete with Marc's, which is one of the original deep discount drug chains and very tough," says Boodjeh. "They don't have the selection we do, however, so we'll match them on prices of the items we both carry."

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Perry's hair care expansion boosts sales

Buyers report their hair care sales are up an average 10 percent so far this year. Styling aids are still the hottest segment.

Continued from page 46

hair care in a 16-foot wall set, but the chain is currently in the process of reconfiguring the department. Today, nearly half of all Perry stores merchandise hair care in a 36-foot gondola near the cosmetics department.

"Sales are much better from the gondola set," says Lund. "We started using a gondola about three years ago, but we're only putting it in as we remodel our stores. In about three more years, all of our stores should have this set for hair care."

Lund says that as Perry expands the department, it is filling in more sizes and more flavors or formulas to give customers a broader selection of products to choose from.

At the same time, Perry is also advertising hair care brands more in its circulars, and is advertising brands by line rather then by category segment. As a result, Lund says sales are up for almost all the lines Perry carries, and he adds that in many cases vendor purchases from hair care manufacturers are up by a minimum of 30 percent.

In shampoos and conditioners, some of his best lines right now are Salon Selectives, Finesse, White Rain, and Breck, "now that we're supporting it with promotions."

Gillette's sales are up dramatically, and a large part of that is due to the success of White Rain in Perry stores.

Perry had trouble getting Clean & Clear in its stores early in the summer, but Lund says the supply situation is now under control and Clean & Clear is doing very well for Perry.

Flex is soft in the Perry stores, and Ivory has peaked and is now leveled off. "It's still a very tough, competitive market out here," Lund says, "and although the food stores in this market aren't as aggressive with H&BA as they are in other areas of the country, the competition is intense from deep discount drug chains and discount department store chains."

Lund reports that while the low-end lines are still generating the highest unit movements in hair care, the higher-end lines are getting a greater portion of dollar sales, "and that's good," Lund says, "because I think their success has made the entire category more profitable for us."

Pantene and Jhirmack are doing particularly well on the high end, and so are the professional styling lines that Perry carries, particularly Redmond, Stiff Stuff, TRESemmé, and a regional line called Mastey.

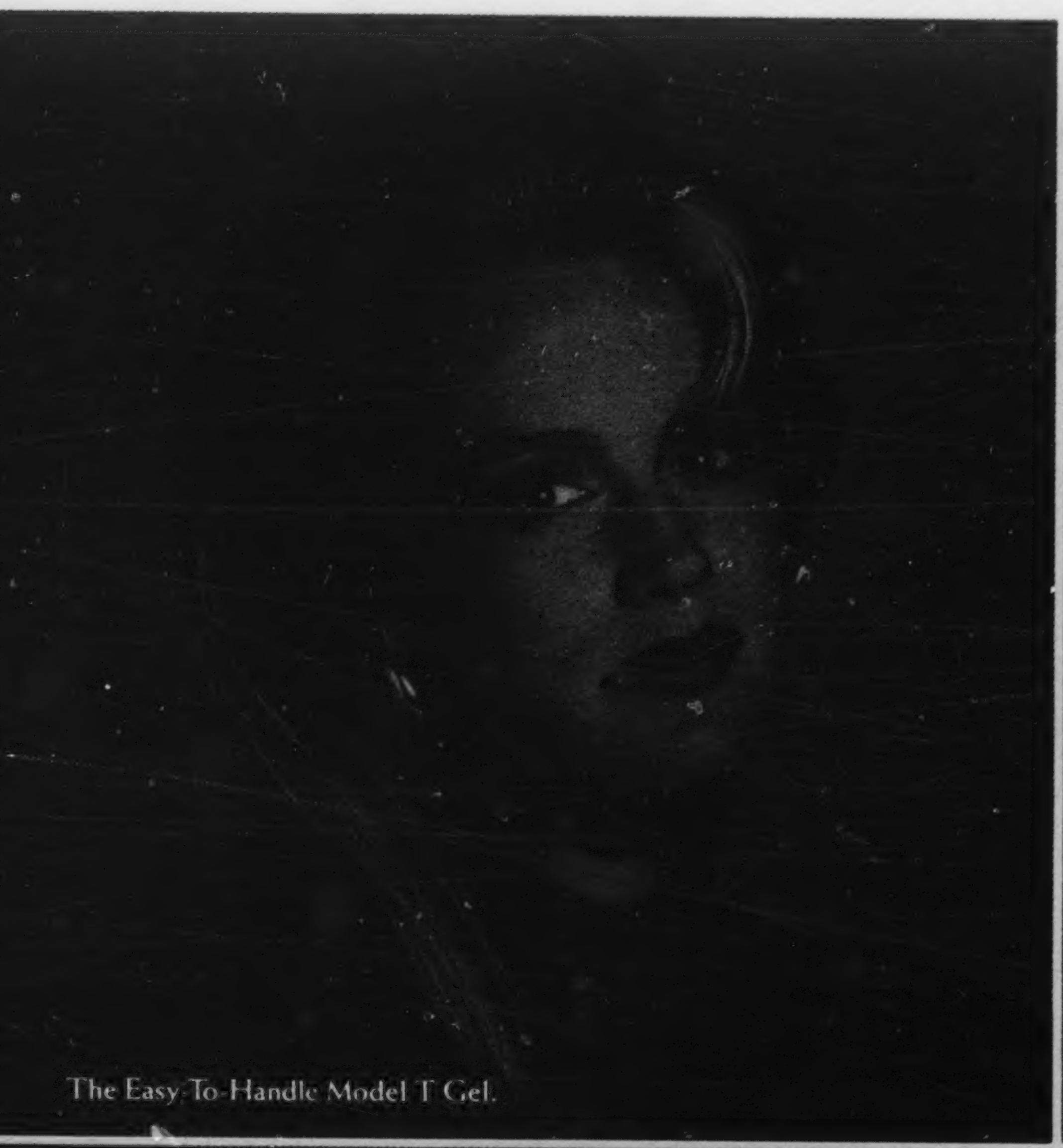
Perry now has a 16- to 20-feet set for professional-style brands in all its stores, and Lund says sales in that section are exceptionally strong.

In the mass market category, gels and spritzes are the two strongest growth segments for Perry, and both are growing at almost double the rate of the category as a whole. L'Oréal's Studio line is doing particularly well in all the fixative categories, and Dep is also doing well. The Jheri Redding spritz is Perry's best seller in unit movement, Lund says.

Lund says that sprays "have also grown as phenomenally as fixatives have grown." Aqua Net and White Rain, he says, account for a substantial portion of all hair spray sales at Perry.

Lund thinks his stores will also do well with the new thermal conditioning styling aids that Conair is bringing out because styling appliances, especially irons, are doing so well right now.

Color and perms have not shown much growth for Perry. Right now both segments are in an off cycle and he doesn't see anything new enough on the horizon to knock them out of their doldrums "in the foreseeable future."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Fay's Drug aims to double professional set space

At Fay's Drug in upstate New York, management is planning to expand Fay's professional hair care set. A source for the chain said the average professional set in Fay's is about four feet now and it will probably go up to about eight feet.

Fay's also merchandises some of the higher-priced mass market lines in with its professional set, usually Jhirmack, Pantene, Vidal Sassoon and Jheri Redding.

Pantene, however, has slowed down in sales somewhat for Fay's and management thinks it's because Pantene has become so readily available at other types of outlets like food and mass merchandise stores. "Everybody has it now," said the source, "so we're doing less business with it."

Fay's sales are the strongest at the higher-priced segment of the hair care market. "A year ago, it was difficult to sell the higher-priced premium brands," said the source. "Now, thank God, we have a nice base of both high- and low-end business."

Among the low-end brands, Suave, White Rain and Revlon's Aqua Marine do very well at Fay's.

Professional lines and premium brands are selling very well, but chain drug store buyers say competition on the low end brands is so tough that making money in this segment is "virtually impossible."

Fabergé's relaunch of its Organics line has performed just "so-so" so far at Fay's, the source said. He said it may be because the customers who were loyal to Organics don't recognize it in its new package. "The new packaging is very nice," he said, "but I think people are still looking for the old package. People don't seem to realize that the new package is Organics."

Right now, Pert Plus is Fay's number one seller in the premium segment. Clean and Clear is second and Salon Selectives, third. Prell, Perm Plus and Neutrogena also do very well at Fay's.

The source said the new Jhirmack Silver formula has also "really taken off" and is a surprise hit with many of Fay's customers.

Textra hasn't been as strong as it was in the beginning of its launch last year. The source said that at Fay's, it hasn't done as well as expected.

Salon Selectives has taken off for Fay's and the source says the line did well from the beginning. "They dropped a lot of coupons for Salon Selectives here, but food stores double coupons in our markets so that could have hurt us, but it didn't."

Finesse is still doing well at Fay's, but the source says it it is not quite as strong as it used to be.

Clean and Clear is doing very well for Fay's, and the source says he was lucky. His rep kept him fully supplied and "we never ran out."

Most of the new products Fay's is seeing are just line extensions and the source says that while that will be okay for Fay's, he'd rather see something more dramatic coming down the pike.

Vidal Sassoon is bringing out a new revitalizing cleanser, Solutions, that looked "interesting" to Fay's management. "It's not a shampoo, but a hydrating complex that nourishes the hair. It's a high price point, but people who use a lot of styling aids, spritzes and gels will need it."

The VO5 Hot Oil has been very strong at Fay's, and its management says that treatment items are doing so well individually that they will probably expand the treatment section soon.

"We're looking for products to put in there," said the source. "VO5 was doing real well, but for a while, it was all I had. L'Oréal's Specific Solutions is doing okay, but it's at the high-end of the category in price and it's not my fastest-mover in the category."

Fay's has also done very well with little packets of hair treatment products. The Revlon Realistic Moist packet and the St. Ives Swiss Formula Hair packet have done extremely well.

Styling aids, however, is still the best growth department at Fay's. Management says everything in that category moves well, from the sprays through the spritzes.

The 99-cent Rave spray is number one in Fay's hair spray department. Aqua Net, Suave, Style, White Rain and Condition are all very good.

Stiff Stuff is still strong in fixatives. The Perma Soft Extra Hold is also good, and the source says "anything that says spritz sells well."

Freeman's papaya spritz is particularly good at Fay's, and so is the Jheri Redding Design Spritz.

The Studio Mega Spritz is the best seller in the L'Oréal Studio line for Fay's. Management says the higher price points has kept the line from taking off as it has in some of the metropolitan markets.

Perms are doing well at Fay's. "For some reason, perms are stronger in the northeast than in other regions of the country. The permed category hasn't dropped off here as it has nationally."

Oglive is number one at Fay's, and Premiere is number two.

Color sales right now are "excellent" at Fay's, sources say. Revlon's Color Silk has been a big success, and one source said the line was "the main reason my sales are up."

Temporary rinse-in or mousse-in colors are doing "terrible" at Fay's, and the chain is now down to just two SKUs of Pizazz. Fay's never stocked Colorific.

Clairol is about to launch a new line called Instant Beauty, and Fay's management thinks it will do well in drug stores. It's a roux rinse that washes out in two to three shampoos and it is aimed at the over-40 market. The source says the shades are attractive and should be very popular for highlighting hair or hiding emerging gray streaks.

Fay's is also testing the new Advantage packages. Fay's dropped Advantage about a year ago. The source said people liked it, but it just didn't seem to get many repurchases. Now the line has a new look and a new price point and Fay's thinks it's worth giving a second shot.

Jose Eber is also selling well at Fay's. Fabergé recently dropped the price point from $4.99 to $3.49, but Fay's said the line actually sold even stronger while it was at the higher price point. "It was doing very well before," said the source. "Now it's a moderate success."

Men's hair color is also doing very well at Fay's. The Just For Men line has more than doubled in sales over last year. The best-selling shades are dark brown and medium brown.

Hair Muscle was a "sleeper" at Fay's. It started off slow, and is now selling exceptionally well.

In treatments, Folicure and Unicure are both doing well; Folicure especially sells well when it's advertised.

> *'A year ago, it was difficult to sell the higher-priced premium brands,' said the source. 'Now, thank God, we have a nice base of both high- and low-end business.'*

Chart 3: Market share trends for conditioners

(Percentage share of total retail sales)

Outlet	1985	1986	1987	1988
Food	43.6%	43.7%	43.5%	43.2%
Drug	37.1	37.0	36.0	36.2
Mass merchandisers	19.3	19.3	20.4	20.7

Source: Nielsen Marketing Research

Chart 4: Market share trends for shampoos

(Percentage share of total retail sales)

Outlet	1985	1986	1987	1988
Food	51.9%	51.6%	50.8%	50.6%
Drug	27.4	27.9	27.9	28.5
Mass merchandisers	20.7	20.5	21.3	21.0

Source: Nielsen Marketing Research

Chart 5: Market share trends for hair color

(Percentage share of total retail sales)

Outlet	1985	1986	1987	1988
Food	18.0%	18.7%	19.8%	19.9%
Drug	52.3	53.9	53.6	54.1
Mass merchandisers	29.8	27.4	26.5	25.9

Source: Nielsen Marketing Research

Chart 6: Market share trends for hair fixatives

(Percentage share of total retail sales)

Outlet	1985	1986	1987	1988
Food	45.1%	45.6%	45.2%	44.9%
Drug	29.2	29.7	29.7	30.4
Mass merchandisers	25.7	24.7	25.0	24.7

Source: Nielsen Marketing Research

Chart 7: Market share trends for men's hair care preps

(Percentage share of total retail sales)

Outlet	1985	1986	1987	1988
Food	43.0%	44.0%	43.5%	42.3%
Drug	36.9	37.0	37.9	39.0
Mass merchandisers	20.1	19.0	18.5	18.6

Source: Nielsen Marketing Research

Rock Bottom deals its way to profits with limited mix

At Rock Bottom discount drug stores, based in Port Washington, N. Y., hair care buyer Norman Klein says that because of all the new styling aids hitting the market, the hair care category has been growing in his stores at a reasonable rate. He estimates that it is up about 10 percent in dollars overall.

As a discount chain, Rock Bottom always tries to price lower than the competition. In hair care, that means Klein always tries to be about 25 percent cheaper than any other store in the market.

Rock Bottom doesn't try to carry a very broad assortment of hair care items. It gives hair care between 12 and 18 feet depending on the size of the store. Because it buys everything on deal, it limits the sizes it stocks. "Our larger sizes do sell much better," Klein says, "but we buy whatever the manufacturer is promoting."

'Our larger sizes do sell much better,' Klein says, 'but we buy whatever the manufacturer is promoting.'

Right now, Finesse and Studio are doing particularly well in Rock Bottom stores. Revlon's new Clean and Clear has started off very well, and Klein reports that in the first weeks it was in the store "we couldn't get enough of it. We'd just stack it up and it would sell itself."

He says Salon Selectives is "fair right now. On a scale of one to 10, a six." Ivory is doing much better in its new packaging, but Klein says it sells best to housewives in the more down-to-earth neighborhoods. "It is not yuppified enough—not sophisticated enough—to sell well in the higher demographic neighborhoods," he says.

Rock Bottom has a policy of selling its ends to manufacturers on a month-to-month basis. Revlon is often one of the manufacturers to buy an end for its Flex line, and Klein says when a brand is on the end, it sells "three to five times faster than it would off the shelf."

Pantene's shampoo and conditioner sell well at Rock Bottom, but Klein says its styling aids are slow. The Condition line sells well there, and so does White Rain.

The styling aids category is currently the strongest segment of hair care for Rock Bottom. Klein estimates sales of gels and other styling aids are up about 25 percent compared to 10 percent for the category as a whole. He does particularly well with Dep and with Studio, and he thinks Con Air's new Hot Shots will do very well when they hit the market.

"A lot of people are using styling appliances these days," he says, "so there should be a real niche for these brands."

Hair color is the only segment of hair care that is planogramed at Rock Bottom. "There are simply too many shades for managers to order," says Klein, "so we planogram it. It's also important that we stay in stock on the popular shades. A woman needs to be able to buy the shade she's using."

Chart 8: Market share trends for home perms

(Percentage share of total retail sales)

Outlet	1985	1986	1987	1988
Food	19.8%	20.2%	20.7%	20.5%
Drug	50.4	50.3	48.9	49.6
Mass merchandisers	29.9	29.4	30.4	29.9

Source: Nielsen Marketing Research

Right now Klein says both the color and the perm categories are slow, but he thinks color may show a resurgence in the future, especially in the men's segment and especially as today's youth generation grows older.

His two best brands now are Nice & Easy and Preference.

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Hair sprays, pro products give body to F & M's hair care sales

In Detroit, a source for the F & M deep discount drug chain reports that F & M's overall hair care sales have been flat so far this year. The source says there is one exception to the otherwise stagnant category: Suave.

"Suave sells very well out here," he reports. "People like the product. They also have a very strong conditioner. We don't advertise it because we're a discount chain, but we stack it up and it sells like mad.

"It also helps that we don't carry the 16-ounce size, as most of our competitors do. We carry the 24-ounce size and we price it for what most people sell the 16-ounce at."

In most areas of the country, buyers report at least some growth for styling aids, even when their overall hair care category is flat. But at F & M, even the styling segment is flat.

"I think it's because of the summer and the heat and people being at the pool," the source said at presstime. "Women seem to be putting off doing things to their hair until the fall."

F & M has been having trouble getting Clean and Clear in stock, but the source says when they do have it, it sells well. He thinks it will be particularly strong in the fall.

Helene Curtis is still dropping coupons for Salon Selectives in Detroit and that's keeping the brand "hot" in F & M stores, the source says.

Chart 9: Market share trends for mousse

(Percentage share of total retail sales)

Outlet	1985	1986	1987	1988
Food	36.5%	39.9%	41.9%	43.2%
Drug	39.8	36.5	34.1	33.8
Mass merchandisers	23.7	23.6	24.0	24.0

Source: Nielsen Marketing Research

Conair's new thermal styling aids, Hot Shots, and Gillette's Dippity Do Hair Do looked good to the source, but he agreed with other buyers that these brands will need significant amounts of consumer advertising to really hit their maximum.

"They will have to be explained via advertising," he said. "Women have had similar products used on them in salons, but they haven't tried to do it themselves. I remember when Helene Curtis first brought out a Glaze. No one knew what it was for and it never sold well. Thermal styling conditioners will need explaining or they won't sell either."

The perm category has been dead at F & M, as it has been in most sections of the country. Oglive is the only brand that does well, and although Revlon has a new Perfect Touch perm with a formula breakthrough that should make it relatively easy to use, the F & M executive chose to be cautious and see how it will do before making any predictions about its chances to revitalize the category. "I have no comment on that one," he said.

Hair sprays are doing well at F & M right now. Some of the best sellers are White Rain, Final Net, Aqua Net, and the Clairol Mist.

Hair color is very competitive in Detroit right now, and the sources say the category is currently "no great shakes" for F & M.

All F & M stores have a professional hair set, and that category is doing well for F & M. Stiff Stuff is still a strong seller. Hair Muscle, which is new, is doing well. TRESemmé, All Set, Aussie and Infusium are all strong lines, and the source says the traditional salon brands like Paul Mitchell and Sebastian also do very well whenever F & M can get them.

Pantene has had its ups and downs in F & M stores. It does very well when it comes in with bonus packs, the source says. The styling aids, however, sell just so-so, said the source, but he added that Pantene does have an especially strong line of conditioners and they have done very well at F & M.

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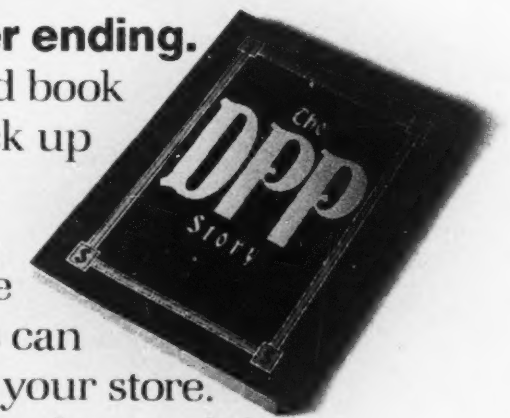

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Genovese reports 8 percent growth; pleased with pro lines

In the New York market, Kevin McGivney, H&BA/ toiletries buyer for Genovese Drug, reports moderate growth of about 8 percent in the hair care segment.

McGivney says Genovese is "doing very well" with its professional hair care lines, and that segment of the category is up about 30 percent to 40 percent on a year-to-date basis.

Genovese is also doing very well with Revlon's new Clean and Clear line. McGivney says Genovese has had no problem getting the brand in stock, although he concedes it has been hard to get. However, it is selling well in his stores.

Salon Selectives is also doing well in Genovese, both the original shampoos and conditioners and the new styling aid line extensions.

McGivney says there have been too many product launches in the spritz category recently, and the segment is starting to enter an 'overkill phase.'

Gels are still strong in Genovese. McGivney estimates the segment is up about 16 percent to 18 percent in sales, and is showing the best growth in the hair care category to date.

"I think this segment will probably continue to grow for about another two years," he predicts, "and then I think we'll start to see it leveling off.

Spritzes, however, may be starting to peak already at Genovese. McGivney says there have been too many launches in the category recently, and the segment is starting to enter an "overkill phase."

The hair spray segment is growing at Genovese. McGivney estimates that sales are up between 10 percent and 15 percent this year.

The perm category is flat as it is in most segments of the country. McGivney thinks that most women who can afford to perm their hair prefer to have it done in salons where it is safer and more convenient.

He thinks Revlon's new Perfect Touch perm may do well as a brand in the segment, but he's not sure how much the launch of that one brand, even with an improved technology, can help spark category sales. "I don't know if there's any one item that can come out and grow the business," he says. "We'll just have to wait and see.

He does think Conair's new Hot Shot thermal styling conditioners will be a good line. "They'll be the first in a new category so they should do well," he says. "Dippity Do also looks good with Hair Do, so hopefully we may have a whole new segment emerging here."

In the last few months, Genovese has been promoting Folicure, a new hair treatment line from Pantresse. McGivney says Folicure has "done very well for us. We have a lot more promotions planned. It's a new line and it's also in an emerging segment."

Right now, Clairol condition and Flex are two of the best-selling shampoos and conditioners at Genovese. Finesse, Head & Shoulders and the professional lines like Aussie, TRESemmé, and Infusium have also done very well.

Stiff Stuff is still holding strong at Genovese. Although it's new to the chain, Hair Muscle, is starting off "doing some nice numbers." Aussie Mega and All Set are also strong.

Genovese also stocks Fabergé's Grand Finale professional line and L'Oréal's new Mermade line, both of which are doing well in their stores.

Queen Helene's styling gel is the number one seller at Genovese in its category, and the TRESemmé Hot Oil treatment in tubes is "flying" out the doors.

Jheri Redding's Extra looks very good to McGivney as it starts to hit the stores. 'It's a beautiful packaging. It looks real good. It's a lot like Nexxus. I have a good feeling about it," he says.

Salon Selectives is doing okay at Genovese. St. Ives Swiss Formula is selling very well. McGivney says it is the only shampoo/conditioner line "that sells well as a twin pack for us. It's doing very well."

Pantene is doing "fine" and Studio is a "good, solid line" at Genovese.

Neutrogena is also enjoying "excellent sales," and in color, Clairol and L'Oréal between them are driving the category toward a 10 percent growth rate. Permanent colors are doing the best, particularly Preference and Nice & Easy.

This year Genovese is advertising hair care more. McGivney says the chain is beefing up all its H&BA advertising as a way of building up the chain's core departments. "Health aids are the backbone of our business," he says, "and we're doing all we can to support them."

These days, McGivney thinks chains need to do more than advertise price to sell toiletries. He thinks consumers today respond better to what he calls "event promotions."

This fall, McGivney did an unusual back-to-school promotion that featured select hair care brands: St. Ives, Helene Curtis and Conair.

"Every week, we gave away a $5,000 savings bond, plus a $1,000 second prize savings bond. We backed the promotion up with a store display program for our managers and store personnel.

"I don't think you can sell price anymore. Everybody has low prices these days. You have to create something special. I appreciate the manufacturers who will work with me on coming up with these types of events.

McGivney's back-to-school savings bond promotion broke in mid-August and ran through September. "We were competitive on price too," he says, "but we were also different because we had an event that no one else could match."

Chart 10: Market share trends for all hair care products

(Percentage share of total retail sales)

Outlet	1985	1986	1987	1988
Food	40.9%	41.1%	40.9%	40.5%
Drug	36.9	37.2	36.6	36.9
Mass merchandisers	22.2	21.7	22.6	22.6

Source: Nielsen Marketing Research

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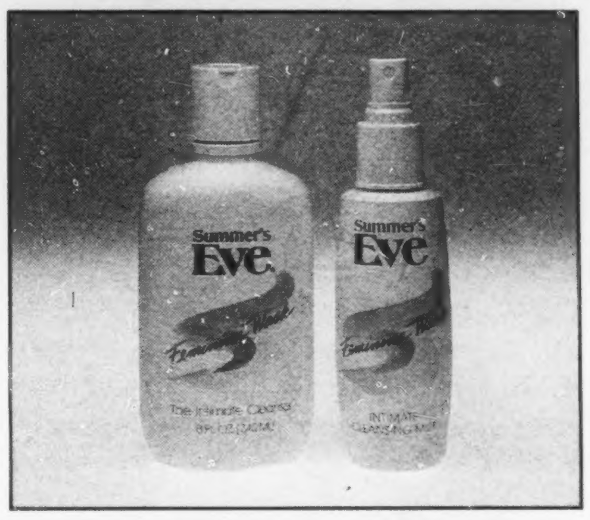

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Styling aids, spritzes pace Medicare-Glaser sales

Out in St. Louis, Connie Curran, who buys hair care for Medicare-Glaser, reports the category is growing. However, she says it's not growing at the same pace as the number of SKUs, because so many new items, primarily all line extensions, are coming out in hair care.

"As more styling aids are introduced, they're not replacing anything," she says. "They're complementing products that are already out. So now a woman may buy a mousse and a gel, or a spray and a spritz."

According to Curran's latest warehouse figures, the total hair care category is up 10 percent to 12 percent in units and up about 5 percent to 6 percent in dollars.

Styling aids and sprays are definitely the fastest-growing category for Medicare-Glaser, growing at about double the rate of hair care as a whole.

In the styling aid segment, the cheaper brands are selling the best right now, helped by Medicare-Glaser's preference for advertising an entire line rather than a single item whenever possible.

"We're doing very well with the cheaper brands of styling aids," says Curran, "and I think it's partly because of our family approach to advertising. We're doing especially well with Clairol's Condition, the gels, and sprays. However, the Jheri Redding spritz is a very strong single item for us. The Redding spritz and Stiff Stuff are our two best-selling gels. And Studio Line is doing well for us. Their bonus sizes are among our top items. Aqua Net, Style and Clear Mist are our best-selling sprays."

A styling aids endcap at a Harco unit. Drug chains that are advertising hair care more and giving it expanded space report the most dramatic growth.

Curran says Medicare-Glaser has been doing family ads in hair care for about two years now. "Shoppers seem to buy more when you advertise the entire family," she says.

"We get multiple sales instead of single-item sales. We usually offer the entire line like Condition or Flex at one price point, and shoppers stock up. It also means we can usually make more profits off the ad too because some margins can be higher and because we're generating incremental dollars."

In St. Louis, the premium-priced shampoos and conditioners are selling better right now than the budget lines. Curran says that's partly because there is so much competition right now from food and discount stores on the budget lines.

"We have to be competitive, and that means cutting margins," she says. "So we do advertise them to build our price image, but I'm careful not to advertise them too much because I don't want to be cutting that deep into our margins."

In the Medicare-Glaser stores, Curran says that right now the Neutrogena, Vidal Sassoon and Jhirmack shampoos and conditioners are selling particularly well in the premium category.

Condition, White Rain and L'Oréal's Ultra Rich are especially good in the budget category. "Ultra Rich is really doing better than it was," she says, "and it's because L'Oréal is supporting it with better promotions these days."

Professional brands are selling well too, but Curran says she wants to beef up her assortment of professional brands down the line because "there's still a lot of that business that we're not capturing."

Right now, Medicare-Glaser is warehousing all the professional brands it carries, but the chain is thinking about expanding its assortment dramatically and setting up a whole separate set for professional items.

The color category right now is just "all right" for Medicare-Glaser. "Our problem is that it's not very profitable and it's very competitive right now in this market. Nice & Easy does the best job for us, and Just For Men has really caught on nicely with men out here."

Perms are flat in Medicare-Glaser, just as they are just about everywhere today. Curran thinks Revlon's new Perfect Touch may do well itself, but she's not sure that it can really revitalize the category all alone.

"How fast it will catch on will depend on how much people know about the conditioning ingredients in the formula. If they recognize it as a breakthrough product based on what they know about salon perms, it could catch on really fast. But if not, then its success will depend entirely on Revlon's advertising."

> *'As more styling aids are introduced, they're not replacing anything—they're complementing products that are already out.'*

Fickle fashion heats up pace of hair care product introductions

By Richard Lawrence

Successful new products are vital to hair care marketers fighting to keep up with changing fashions and the fickle tastes of consumers.

Maybe in the hope that more new products bring more chances of success, new hair care products, in a dramatic reversal of the trend of the last three years, are setting the pace among introductions of H&BAs in 1988.

Styling aids are showing the biggest jump; 40 percent ahead of last year's pace through July. Shampoos have gained 22 percent and conditioners and rinses 17 percent. Only hair colorants are lagging. They're down 32 percent. All of this against an increase of only 5 percent for all new H&BAs.

Trends in new hair care products are a barometer of consumers' wants, at least as they're interpreted by marketers.

Industry commentators have spotted a resurgence in sales of hair sprays, and that's echoed in the acceleration of hair spray introductions, which began last year and continues even faster in 1988.

But in fact, introductions of all forms of styling aids—spritzes, gels, and mousses as well as sprays—are running well ahead of 1987. Mousses which nosedived from 51 introductions in 1986 to 10 last year have already passed that total. Gels, 1960's products that never went away, have undergone a mid-eighties revival with what may be close to 50 new entries in 1988. Spritzes have come from virtually nothing in 1986 to a forecast 30 or more entries this year.

Some other hot buttons in hair care may be cooling based on introductions. Salon and professional credentials are a popular strategy for new hair items but this year's pace for such items is no higher than its peak in 1985. New products which are natural, pure or real won't be exactly scarce but they'll be fewer than in the last four years. Moving in the opposite direction, though far less important in total numbers, are new hair care products for men and those for active users and sports participants.

Almost one-third of the hair care introductions so far in 1988 are by 15 large companies. Large companies account for a growing proportion of all new products in all categories of packaged goods. Clairol has the most hair care introductions since 1984, followed closely by Revlon, Helene Curtis, Alberto-Culver and Gillette.

Richard Lawrence is president of Marketing Intelligence Service, Ltd., Naples, N. Y.

Hair care introductions since 1984

Clairol	51	Procter & Gamble	18
Revlon	44	S. C. Johnson	15
Helene Curtis	40	Avon	10
Alberto Culver	38	Ogilvie Products	9
Gillette	33	Lever Brothers	6
Jheri Redding	24	Beecham	5
Fabergé	22	Calvin Klein	1
Vidal Sassoon	19		

Source: Marketing Intelligence Service

Hair care introductions, by type

	1984	1985	1986	1987	1988*
Shampoos	88	86	89	86	61
Conditioners, rinses	67	69	66	59	40
Styling aids	60	113	112	89	73
Colorings	12	21	14	22	9
Total H&BA	1,109	1,230	1,342	1,631	1,003

. . . by form

	1984	1985	1986	1987	1988*
Spritz	0	0	3	14	15
Gel	8	23	30	32	25
Mousse	26	55	51	10	13
Spray	17	29	32	43	40

. . . by positioning

	1984	1985	1986	1987	1988*
Professional/salon/extra strength	47	72	56	58	42
Natural/pure/real	54	53	54	48	23
For men	7	18	17	5	6
For active people/sports	4	6	10	8	6

*First seven months

Source: Marketing Intelligence Service

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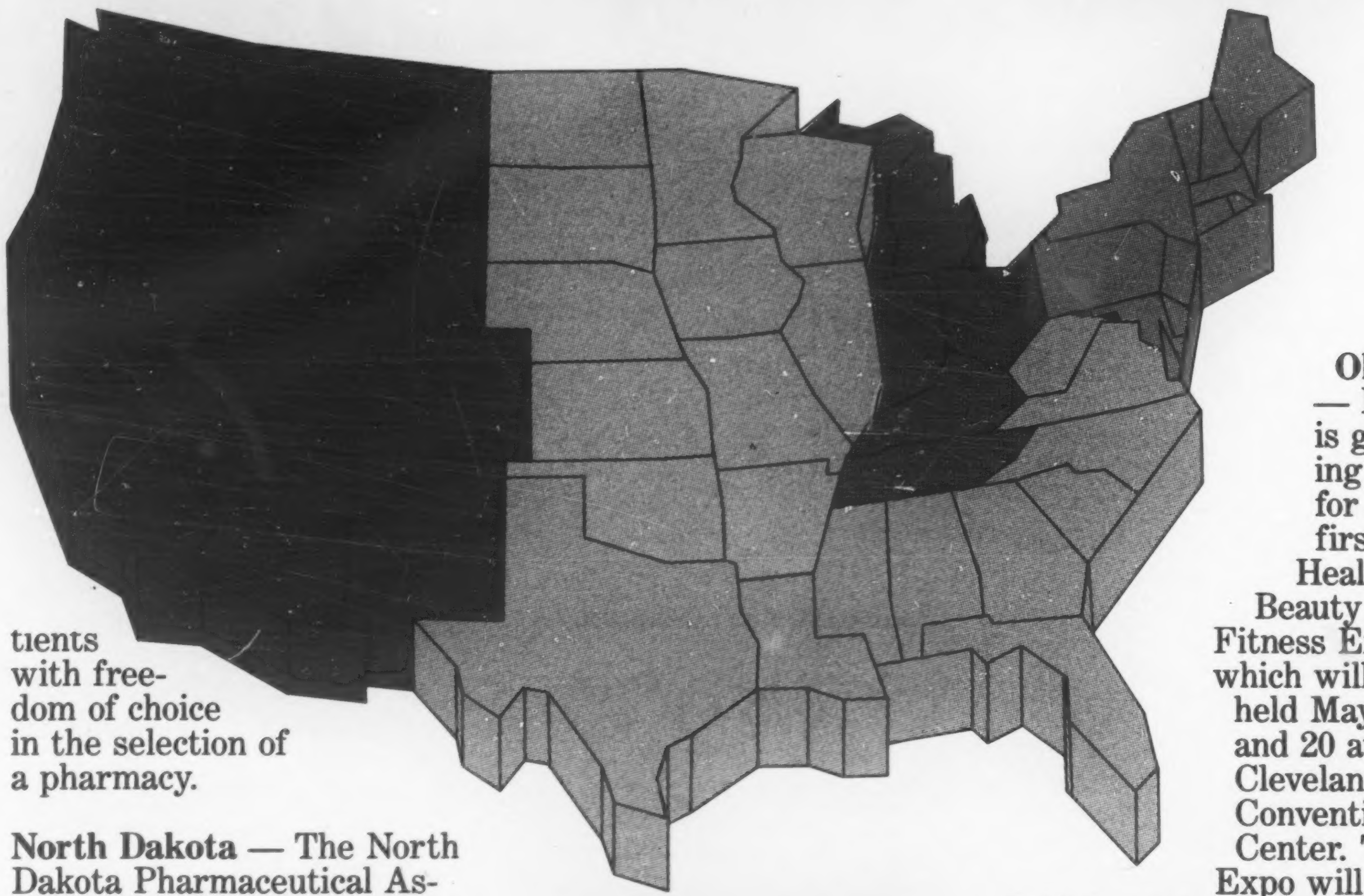


Western Region

Arizona — Mike Henry, head pharmacist of Arrow United Pharmacy, has been elected president of the Arizona Pharmacy Association.

California — The California Pharmacists Association has held its first two AIDS spokespersons training sessions. The sessions were the first in a program designed to train one person from each of the association's 38 local affiliates to be a source of AIDS information.

"Our goal," said Gail Lohmann, marketing assistant for the association, "is to have one pharmacist at every pharmacy who is trained in AIDS education."

West Central Region

Iowa — The Iowa legislature has taken further action to limit physician dispensing. The legislation requires physicians who dispense prescription drugs other than samples to register with their examining board. The bill also requires the practitioners to provide their patients with freedom of choice in the selection of a pharmacy.

North Dakota — The North Dakota Pharmaceutical Association will be developing protocols to deal with the newly passed legislation requiring out-of-state mail order pharmacies to be licensed by the state board.

William Grosz, executive secretary of the association and the board, said the association is looking into how to enforce the new rule and will be sending information to out-of-state mail order houses operating in the state.

Midwestern Region

Indiana — The Indiana Pharmacists Association drew over 300 people—including the governor—to its Healthy Older People (HOP) seminar in Indianapolis. The seminar was designed to persuade senior citizens to consult with their pharmacists.

Ohio — Revco is gearing up for its first Health, Beauty and Fitness Expo which will be held May 19 and 20 at the Cleveland Convention Center. The Expo will be held in conjunction with Revco's 12th annual marathon and 10,000 meter run. Over 125 exhibitors are expected to attend.

Southeastern Region

Alabama — The Alabama Pharmaceutical Association is mounting a public relations campaign to bring the news of the recent passage of freedom of choice legislation to the public. F. Howard Gray, executive director of the association, said the organization is looking to raise between $150,000 and $200,000 for a campaign which will include brochures and print ad spots informing consumers about the passage of the legislation and highlighting pharmacists as expert drug information sources.

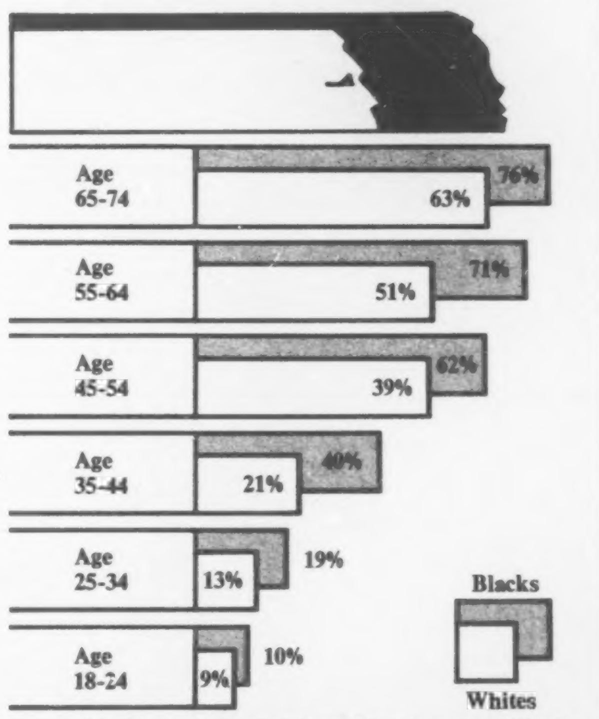
North Carolina — Burroughs Wellcome Co. has awarded $163,000 in pharmacy education grants to 156 pharmacists through its pharmacy education program. Participating pharmacists compete for $1,000 educational grants to be presented to their choice of pharmacy schools and the educational foundations of six national pharmacy associations.

Eastern Region

New York — Genovese has held free skin cancer detection days at four of its locations. The screenings, sponsored by TI Pharmaceuticals, were done by a dermatologist who examined patients' moles and beauty marks at the chains' stores.

Antihypertensives under new scrutiny from health pros

PREVALENCE OF HIGH BLOOD PRESSURE



Final report of the Subcommittee on Definition and Prevalence of the 1984 Joint National Committee on Detection, Evaluation, and Treatment of High Blood Pressure

NEW YORK — Three major groups of antihypertensive medications are being closely scrutinized as results of nationwide research into effective methods of controlling high blood pressure are disseminated among physicians who treat the estimated 58-60 million Americans suffering from the disorder.

The current research is being focused primarily on ACE inhibitors, beta blockers and calcium antagonists. The physicians are also taking a closer look at non-pharmacologic methods of treating hypertension.

A study published in the *Journal of the American Medical Association* (JAMA) indicated that beta blockers, used as initial antihypertensive treatment, were associated with "significantly lower" five-year mortality "because of fewer deaths from coronary heart disease and stroke" than were thiazide diuretics, which, at one time, was the first-line treatment of hypertension. The effect was particularly pronounced in smokers. John Wikstrand, M.D., Ph.D., the Swedish physician who directed the study, said it showed beta blockers the "only therapy effective in primary prevention."

In its fourth Joint National Committee report, the National High Blood Pressure Education Program added ACE inhibitors and calcium antagonists to its list of initial therapy for hypertension which already included thiazide-type diuretics and beta blockers. Published in the *Archives of Internal Medicine*, the report represented the consensus of 32 organizations of health care providers, including the American Medical Association, the American Pharmaceutical Association and the National Heart, Lung and Blood Institute (NHLBI).

Ed Roccella, Ph.D., the NHLBI's coordinator of the National High Blood Pressure Education Program, said that the report places a greater emphasis on non-pharmacological means of hypertension control as both a first line therapy and a means to reduce drug dosage. To control hypertension, as well as to reduce other cardiovascular risk factors, the report stresses the importance of weight reduction, restriction of alcohol consumption, regular aerobic exercise, tobacco avoidance, and the restriction of sodium consumption. It also mentions the benefits of biofeedback and relaxation therapies, as well as the potential importance of increased potassium calcium intake and the modification of dietary fat consumption.

"Since the goal of therapy is to control blood pressure with the fewest drugs at their lowest dose, sound patient management should include attempts to decrease the dosage or number of antihypertensive drugs while maintaining nonpharmacologic modalities," said the report. To achieve this, the committee added a "step-down" portion to its step care therapy chart. The report also mentioned non-compliance as a factor in treating hypertension.

"Poor adherence to long-term treatment, both nonpharmacologic and pharmacologic, has been identified as the major reason for inadequate control of high blood pressure," said the report.

The report further advocates collaboration between physicians and other health care providers, including pharmacists, as a means toward improving long-term adherence.

Maude Babington, Pharm.D., the American Pharmaceutical Association's director of professional affairs, has three suggestions for pharmacists interested in such collaboration. All are predicated on the belief that compliance is most likely if patients are prescribed the smallest possible number of different medications taken at the lowest possible frequency, and all require pharmacists to know their antihypertensive medication:

- If you receive a prescription for medication that must be taken, say, four times a day, but are aware of how to reduce the dosage to, perhaps, two times a day, call the physician and suggest the switch.
- If a physician prescribes drug A which must be taken three times a day, but you know drug B is similar but only needs to be taken once a day, call and suggest a change.
- If a doctor has written a prescription for two different drugs, as is often the case with antihypertensive medication, but you are aware that a combination drug exists, consider asking the physician about it.

"These are good areas for the pharmacist and the physician to collaborate on behalf of the patient," said Dr. Babington, especially since "sometimes patients tend to tell pharmacists things they wouldn't tell their physician."

It is possible that pharmacists might be the first to learn about impotence associated with antihypertensive medication, a common side effect of thiazide and loop diuretics, beta blockers, and centrally- and peripherally-acting adrenergic inhibitors. Another side effect Dr. Babington thinks would be particularly likely to be discovered in the pharmacy is nasal congestion, which is often associated with rauwolfia akyloids.

Both Dr. Babington and Dr. Roccella of the NHLBI suggested pharmacists aid patients' compliance by working with them to associate their drug therapy with a "life event", such as brushing their teeth, "something on the person's personal habitual schedule."

Because of the increasing availability of self-test centers for blood pressure measurement, Dr. Babington suggests pharmacists learn to explain to customers what different blood pressure levels mean, and when to suggest that someone see their physician.

Michael E. DeBakey, M.D., chancellor of Baylor College of Medicine and chairman of Citizens for the Treatment of High Blood Pressure, said in an address to the National Forum for High Blood Pressure Control, "over the past 16 years, deaths due to strokes have been cut in half and thousands of lives have been saved." Accusing Americans of becoming "apathetic" about hypertension, he urged "Health care professionals must be. . . aggressive. . . and attack the consequences of uncontrolled blood pressure with renewed vigor."

Correction:

The Foundation Health Plan, a Sacramento-based HMO, was erroneously referred to in the July 18 issue of *Inside Pharmacy* as HFP. HFP is a federally registered trademark of HFP, Inc., a multistate HMO based in Southern California.

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Over-the-counter drugs show continued sales strength

NEW YORK — Over-the-counter drugs that treat medical problems as mild as the common cold to conditions as severe as chronic arthritis continue to sell well at retailers that have a pharmacy, despite encroaching competition from formats that do not feature prescription departments.

A growing number of retail drug stores, in an effort to better market their OTC product categories, have revamped planograms so that "ethical" OTCs, or those over-the-counter drugs that are used to treat medical conditions, are closer to the pharmacy department, allowing pharmacists to help consumers in their OTC product selections.

According to *Drug Store News/Inside Pharmacy's* 1988 study of the top-selling OTC products, cough, cold and allergy products continue to lead in number of units sold with analgesics a near second.

According to the study, more than one-third (35 percent) of the top 100 OTCs sold in drug stores were for cough, cold and allergy products while just over one-quarter (27 percent) of the top 100 OTC units moving through drug stores were represented by analgesics.

While many of the products in the top third represented OTCs used to treat the common cold, the number-one product was for Parke Davis' Benadryl capsules, 25mg, indicated in the treatment of allergy symptoms. Some of Benadryl's success can be attributed to the fact that it was once a drug that could only be purchased by prescription. Also, while Benadryl is specifically indicated to treat allergies, there is much cross-over in this category, and many cold sufferers will purchase this product to treat the common cold as well.

Other notable Rx-to-OTC switched cough and cold products that made the top 100 listing include Schering's Afrin and Drixoral, A. H. Robins' Dimetapp, and Burroughs Wellcome's Actifed.

The success of switched products was also in evidence in the second most sold OTC product category analgesics. The best selling analgesic product, according to the survey, was Whitehall Laboratories' brand of ibuprofen, Advil, represented by a total of six SKUs in the top 100 OTCs. But, once again, McNeil's Tylenol captured the distinction of having the most SKUs moved through drug stores, with 10 SKUs represented in the top 100 OTC listing. In both Advil and Tylenol products, the caplet was noticeably popular among consumers, with both products moving caplet versions of their popular products.

Bayer aspirin was the eighth-fastest moving product in the analgesic product category, with many observers attributing some of its more recent success to reports that an aspirin a day may be beneficial in preventing second heart at-

Continued on page IP22

Top 100 OTC products based on number of units: 1988

Rank	Product Name	Rank	Product Name
1	Fleet enema 4.5 oz.	51	Anacin 12s
2	Advil tablets 24s	52	Vicks Vapo-rub 3 oz.
3	Tylenol extra strength caplets 50s	53	Anacin 30s
4	Tylenol extra strength tablets 30s	54	Centrum vitamins 130s
5	B & L Sensitive Solution 12 oz.	55	Tylenol drops 15 ml
6	Mylanta liquid 12 oz.	56	Correctol 30s
7	Pepto Bismol liquid antacid 8 oz.	57	Fleet mineral oil enema 4.5 oz.
8	Visine .5 oz.	58	Excedrin extra strength tablets 30s
9	Benadryl capsules 25mg. 24s	59	Contac caplets 10s
10	AoSept disinfect solution 8 oz.	60	Bayer aspirin 50s
11	Robitussin DM cough syrup 4 oz.	61	Advil caplets 50s
12	Alka Seltzer plus 20s	62	Robitussin DM 8 oz.
13	Tylenol chewable tablets 30s	63	Pepto Bismol liquid antacid 4 oz.
14	Neosporin ointment .5 oz.	64	Robitussin PE 4 oz.
15	Tylenol extra strength tablets 60s	65	AoDisc replacement
16	Tylenol extra strength caplets 24s	66	Sudafed tablets 30 mg. 48s
17	Sudafed 30mg. tablets 24s	67	Actifed tablets 12s
18	Tylenol extra strength caplets 100s	68	Dimetapp extentabs 24s
19	Mylanta II liquid 12	69	Nuprin tablets 24s
20	Trojan enz lub 3s	70	Bufferin 100s
21	Vaseline Lip Therapy	71	Chloraseptic spray cherry 6 oz.
22	Afrin nasal spray .5 oz.	72	Maalox Plus extra strength suspension 12 oz.
23	Dimetapp elixir 4 oz.	73	Allergan Lens Plus saline solution 8 oz.
24	Anacin 100s	74	Tums assorted 3-roll 36s
25	Benadryl elixir 4 oz.	75	Benadryl 25 allergy kapseals 24s
26	Trojan enz lub 12s	76	Nyquil cherry 6 oz.
27	Rolaids tablets regular 3-roll	77	Advil tablets 8 oz.
28	Bayer aspirin 100s	78	Rolaids tablets spearmint 3-roll
29	Halls Mentho-lyptus stick 9s	79	Pliagel cleaning solution soft lenses .85 oz.
30	B & L saline solution 12	80	Contac 12 hour capsules 10s
31	Advil caplets 24s	81	Dristan advanced formula cold tabs 24s
32	Anacin 50s	82	Bayer aspirin 1¼ gr childrens 36s
33	Benadryl regular tablets 24s	83	Tums e-x 3 roll 24s
34	Drixoral 10s	84	Benadryl 25 allergy med tablets 24s
35	Maalox liquid 12 oz.	85	Tylenol drops 15ml
36	Alka Seltzer plus 12s	86	Johnson & Johnson Band-Aid sheer 60s
37	Advil tablets 100s	87	Afrin nasal spray 15ml
38	Preparation H ointment 1 oz.	88	Neosporin cream 15g
39	Unisol saline solution (2) 8 oz.	89	Correctol laxative tablets 15s
40	Tylenol extra strength tablets 100s	90	Ex-Lax unflavored pills 8s
41	Advil tablets 50s	91	Coricidin D 24s
42	Pliagel lens solution	92	Trojan regular 12s
43	Nyquil 6 oz.	93	Neosporin ointment 1 oz.
44	Vicks Formula 44D 4 oz.	94	Sudafed S.A. 12-hr. capsules 10s
45	Actifed tablets 24s	95	Halls Mentho-lyptus drops 30s
46	Rolaids 12s	96	Bacitracin ointment 1 oz.
47	Comtrex cold relief tablets 24s	97	Dexatrim caffeine-free caplets 20s
48	Tums 3s	98	Tylenol regular strength caplets 24s
49	Robitussin CF 4 oz.	99	Drixoral tablets 20s
50	Dimetapp extentabs 12s	100	Ascriptin 100s

Source: *Drug Store News/Inside Pharmacy research*

OTC drugs continue to show strength

Cough-cold products in the Top 100 OTC rankings

Rank in Category	Rank in Top 100	Product
1	9	Benadryl capsules 25mg. 24s
2	11	Robitussin DM cough syrup 4 oz.
3	12	Alka Seltzer plus 20s
4	17	Sudafed 30mg. tablets 24s
5	22	Afrin nasal spray .5 oz.
6	23	Dimetapp elixir 4 oz.
7	25	Benadryl elixir 4 oz.
8	29	Halls Mentho-lyptus stick 9s
9	33	Benadryl regular tablets 24s
10	34	Drixoral 10s
11	36	Alka Seltzer Plus 12s
12	43	Nyquil 6 oz.
13	44	Vicks Formula 44D-4 oz.
14	45	Actifed tablets 24
15	47	Comtrex cold relief tablets 24s
16	49	Robitussin CF 4 oz.
17	50	Dimetapp extentabs 12s
18	52	Vicks Vapo-rub 3 oz.
19	59	Contac caplets 10s
20	62	Robitussin DM 8 oz.
21	64	Robitussin PE 4 oz.
22	66	Sudafed tablets 30 mg. 48s
23	67	Actifed tablets 12s
24	68	Dimetapp extentabs 24s
25	71	Chloraseptic spray cherry 6 oz.
26	75	Benadryl 25 allergy kapseals 24s
27	76	Nyquil cherry 6 oz.
28	80	Contac 12 hour capsules 10s
29	81	Dristan advanced formula cold tabs 24s
30	84	Benadryl 25 allergy med tablets 24s
31	87	Afrin nasal spray 15ml
32	91	Coricidin D 24s
33	94	Sudafed S.A. 12 hr. capsules 10s
34	95	Halls Mentho-lyptus drops 30 ct
35	99	Drixoral tablets 20s

Source: *Drug Store News/Inside Pharmacy* research

Continued from page IP21

tacks. In fact, the reason many think Bayer aspirin 1¼ gr. children's tablets showed up on the list was that many consumers who would not ordinarily take aspirin to prevent heart attacks are taking the lower-dose aspirin as a precaution anyway. Children's Bayer aspirin was the 24th-fastest moving analgesic and the 82nd-fastest overall OTC product in the Top 100.

The battle among rival antacids continues, with Stauart's Mylanta 12 ounces taking top honors. However, Procter & Gamble's Pepto Bismol edged out a second SKU of Mylanta, Mylanta II, and beat Rorer's Maalox, a product that is usually vying for the first-place position with Mylanta. Maalox came in as the third-fastest moving antacid.

One OTC product category that has become extremely competitive in recent years is eye and lens care. Often returning handsome profit margins to retailers, lens care products now compete keenly for valuable shelf space. One area that has seen significant retail price cuts is saline solutions, used by all contact lens wearers. According to the study, Bausch & Lomb 12 ounces is the number-one selling saline solution, with the Unisol two-pack in second place.

Among the cleaning solutions, Pliagel lens solution takes top honors and among disinfectants, it's AoSept disinfecting solution. Since the AoSept disinfecting system is dependent on a platinum disk placed at the bottom of contact lens containers, it stands to reason that the disk also did very well in the Top 100 products. It placed seventh in the eye and lens care category and 65th among the Top 100 listing. It would have probably attained an even higher ranking but it need only be replaced every three or four months, and therefore the number of units turned are naturally lower.

The only non-lens care product to make the category listing was Visine 0.5 ounce, placing second in the category and eighth best among the Top 100.

Once again, Fleet enema heads a small but important OTC category, laxatives. Fleet was not only the best selling laxative, but also the best selling product among the Top 100 OTC products. The second best selling laxative was Correctol 30s.

The AIDS epidemic has given a once slow-moving family planning category the needed boost to place three products in the Top 100 OTC listing. All were Trojan brand condoms.

The only vitamin to make the Top 100 OTC listing was Lederle's Centrum vitamins 130s.

Analgesics in the Top 100 OTC rankings

Rank in Category	Rank in Top 100	Product
1	2	Advil tablets 24s
2	3	Tylenol extra strength caplets 50s
3	4	Tylenol extra strength tablets 30s
4	13	Tylenol chewable tablets 30s
5	15	Tylenol extra strength tablets 60s
6	16	Tylenol extra strength caplets 24s
7	18	Tylenol extra strength caplets 100s
8	24	Anacin 100s
9	28	Bayer aspirin 100s
10	31	Advil caplets 24s
11	32	Anacin 50s
12	37	Advil tablets 100s
13	40	Tylenol extra strength tablets 100s
14	41	Advil tablets 50s
15	51	Anacin 12s
16	53	Anacin 30s
17	55	Tylenol drops 15 ml
18	58	Excederin extra strength tablets 30s
19	60	Bayer aspirin 50s
20	61	Advil caplets 50s
21	69	Nuprin tablets 24s
22	70	Bufferin 100s
23	77	Advil tablets 8s
24	82	Bayer aspirin 1¼gr children's 36s
25	85	Tylenol drops 15ml
26	98	Tylenol regular strength caplets 24s
27	100	Ascriptin 100s

Source: *Drug Store News/Inside Pharmacy* research

Lens and eye care products in the Top 100 OTC rankings

Rank in Category	Rank in Top 100	Product
1	5	B & L Sensitive Solution 12 oz.
2	8	Visine .5 oz.
3	10	AoSept disinfect solution 8 oz.
4	30	B & L saline solution 12 oz.
5	39	Unisol saline solution (2) 8 oz.
6	42	Pliagel lens solution
7	65	AoDisc replacement
8	73	Allergan Lens Plus saline solution 8 oz.
9	79	Pliagel cleaning solution soft lenses .85 oz.

Source: *Drug Store News/Inside Pharmacy* research

Laxatives in the Top 100 OTC rankings

Rank in Category	Rank in Top 100	Product
1	1	Fleet enema 4.5 oz.
2	56	Correctol 30s
3	57	Fleet mineral oil enema 4.5 oz
4	89	Correctol laxative tablets 15s
5	90	Ex-Lax unflavored pills 8s

Source: *Drug Store News/Inside Pharmacy* research

Family planning products in the Top 100 OTC rankings

Rank in Category	Rank in Top 100	Product
1	2	Trojan enz lub 3s
2	26	Trojan enz lub 12s
3	92	Trojan regular 12s

Source: *Drug Store News/Inside Pharmacy* research

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DRUG STORE NEWS®

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McKesson Corp. rethinks Alco Health purchase

SAN FRANCISCO — McKesson Corp. is looking to pay less for Alco Health Services Inc. or possibly back out of the deal, even though if completed, it would give the mega-wholesaler a 38-percent-plus national market share.

The proposed merger, which surprised the industry by its magnitude when it was announced, is confounding the drug field again.

In the pending takeover's most recent development, McKesson extended the expiration date of its $30-per-

See **McK,** *page 168*

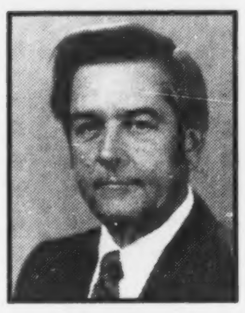
Osco execs part ways over 'philosophical differences'

George, Bergeson out; Scott, Hanson in

By James Frederick

OAK BROOK, Ill. — Differences over the future course of Osco Drug led to the departure last month of president Dick George and chairman Scott Bergeson, and the election of Longs veteran Dick Scott to head the 650-store chain.

Terry Hanson, 41-year-old former executive vp for Osco, has been named its president.



Scott

Scott, 53, was named chairman and chief executive Sept. 20 after Osco's board of directors accepted the resignations of George and Bergeson. Calling the two "highly regarded executives who served honorably," Osco's board issued a statement saying their resignations were accepted "on the basis of existing philosophical differences over the strategic direction and mar-

See **Osco,** *page 167*

Bob Begley joins management of Florida Drug Castle franchise

By Susan Ball

'Deep discounting addresses a segment of the market that is growing.'
—Bob Begley
(See sidebar page 167)

BAYONET POINT, Fla. — Bob Begley, former chairman and president of Begley Co., has agreed "in principle" to join the management team of the Drug Castle franchise based here, as it launches an expansion drive aimed at ultimately opening nine deep discount Drug Castles in the Tampa Bay area.

Although "nothing has been signed yet," Begley is expected to invest in and hold a top position on the board of Bay Area Drug Distributors, Inc. (B.A.D.D., Inc.), according to both R. T. Orr and Dale Obracay, president and vp of the corporation, respectively. Begley has confirmed that serious discussions exploring such a move were under way. *(See sidebar.)*

The corporation, which has exclusive franchise rights to operate Drug Castles in the five-county Tampa Bay area, will manage and hold a 65 percent interest in any limited partnerships formed to expand the franchise.

The first such partnership, called B.A.D.D. Limited Partnership I, is expected to have $2.025 million in seed money to finance the first three-store expansion, according to Obracay. Of that amount, $525,000 is to be

See **Bob Begley,** *page 167*

Phar-Mor is blazing into new markets, with numerous store openings this fall.

Phar-Mor steps up store opening pace

YOUNGSTOWN, Ohio — At a pace worthy of Olympic gold, Phar-Mor is opening 20 stores this fall, with four stores set for Houston, six for Florida, and the rest stretching from Appleton, Wis. in the Central states to Hickory, N.C. in the Southeast.

The first two stores in its latest surge of openings were both launched Sept. 28 in Houston, a new market for this deep discount pacesetter.

Between now and Dec. 7, Phar-Mor will open two more units in Houston; six in Florida, where it already has 22; three in the Chicago area; and one store each in Terre Haute, Ind.; Hickory, N.C.; Rockford, Ill.; Shreveport, La.; Appleton, Wis.; and Pittsburgh and Altoona, Pa.

Louisana and Texas represent new penetrations for the chain.

In Florida, the new units will open in Ft. Walton Beach, Lakeland, Brandon, Lake Worth, West Palm Beach and Orlando.

Including the 26 new stores already unveiled this year, that will make 46 stores opened by year's end, compared with 32 last year. Phar-Mor will reach the 1988 finish line with a total of 114 stores and plans to open 50 next year, said James Teichman, senior vp.

Ranging in size from 45,000 to 64,000 square feet, the stores will have computerized pharmacies and will retain the typical Phar-Mor format, Teichman said.

Almost all of the 20 units are newly constructed, primarily co-anchoring with one or two other retailers in large shopping centers.

Depending on the area, Phar-Mor looks for a 125,000-shopper base—within a five-mile radius in a market such as Orlando, Fla.; a three-mile radius in Chicago; and a wider radius in a less densely populated area such as Hickory, N.C., Teichman said.

Associated/Affiliated's fall show opens; executive committees endorse merger

NEW YORK — As drug chain merchandisers planned to attend Associated/Affiliated's fall buying show Oct. 7-12, the two drug trade organizations prepared for major changes. Issues regarding their long-discussed merger, as well as a plan to sponsor at least one annual 'booth show'—possibly outside New York—will likely be resolved by year's end.

"We're operating on the premise that [the merger] will go through; but we're planning both ways," Affiliated president Phil Weinstein told *Drug Store News*.

Endorsed by the executive committees of both groups, the merger needs approval now by their boards of directors, and then by at least two-thirds of member chains. Sources feel the merger is highly likely, Weinstein is viewed as the leading candidate for president of a combined group. Associated president Ira Shain plans to retire at the end of the year.

"We're looking for a vote by the full membership [on the merger] by the first of the year," said Shain.

As the merger talks progress, a second unrelated but

See **Associated,** *page 167*

LATE NEWS

- OAK BROOK, Ill. — Osco Drug will maintain a divisional office in Anaheim, Calif., but headquarters operations, including buying and most marketing functions, will remain under a single corporate umbrella based here, spokesman John Kromer said. New chairman Dick Scott will divide his time between the two locations, but will remain based in Anaheim, Kromer said.
- DETROIT — Revco D.S. has rejected as inadequate bids for 29 stores here from both Liberty Drug and Arbor Drug Stores, but will "consider other offers" for them, a spokesperson said. Arbor had negotiated to buy an unspecified number, while Liberty bid for all 29. They will remain Revco stores, and some may stay open if no buyer is found, the source said.
- WORTHINGTON, Ohio — Drug Emporium, the deep-discount chain, announced that Gary Wilber has been named president and chief operations officer. Wilber, 38, had been executive vp. Philip Wilber, who had been president, remains chairman and ceo.

NEWS IN BRIEF

Schwarz named exec. vp at Dart Drug

LANDOVER, Md. — Jeff Fantle, Dart Drug's president and chief operations officer, announced recently that James Schwarz has been named as executive vp, corporate secretary and general counsel.

Schwarz, a George Washington University law graduate, served at Peoples Drug in the same capacity for the past 15 years.

Wander seals Maple Village buy

FARMINGTON, Mich. — Former Perry Drug Stores executive vp Alvin Wander is back in the chain drug business, following completion of his purchase of Maple Village Pharmacies in early September. Wander bought the seven-store chain from founders Harvey and Alvin Rubin for an undisclosed sum, and has renamed the chain Maple Drugs.

Maple stores operate in southeastern Michigan from Ann Arbor to Detroit, and range in size from 5,000 square feet to 7,500 square feet.

Former Perry merchandise manager Pat Teeley is serving as head of advertising, merchandising and marketing, and Wander has retained Sheldon Rich as director of pharmacy operations.

Lucky-Alpha merger held up in court

LOS ANGELES — The Lucky Stores-Alpha Beta merger is still on hold while a U.S. District Court reviews an antitrust lawsuit brought against the grocery chains by John Van de Kamp, California's attorney general.

At presstime, Federal District Judge David Kenyon was examining additional materials submitted recently by the parties involved. During this process, Kenyon has maintained the temporary restraining order, which prevents the two grocery chains from combining operations. No date has been set for his decision.

The attorney general's office seeks to prevent the merger on antitrust grounds, claiming that the combined operation will hold too great a market share in California and lead to higher prices.

On a similar matter, negotiations with the attorney general's office and Vons—surrounding its acquisition of the Southern California Safeway stores—are nearing a close, according to Bill Davila, Vons president and chief operations officer. He declined to give details of the negotiation.

Perry takes seniors to the zoo

PONTIAC, Mich. — Perry Drug Stores sponsored a free day at the Detroit Zoo recently for over 3,000 senior citizens from the Detroit area to observe the seventh annual Isabella Fiesselmann Day.

The day commemorates Fiesselmann, 92, who wrote a letter to the zoo in 1981, longing to see it. The zoo granted her wish. Ever since her death in 1983, Isabella Fiesselmann Day at the zoo is an annual event.

Perry gives each senior citizen a "goodie" bag containing sample-sized Perry brand products, discount coupons and health record booklets, and raffles off a color television.

Fred Meyer opens unique specialty store

SEATTLE — Replacing one of the company's few drug stores locations, Fred Meyer opened a new 32,000-square-foot specialty store here this summer, that while no longer a drug store, still includes a pharmacy.

The change was prompted by a major remodeling of the property, which took several years. During this time, Fred Meyer was able to continue running just the pharmacy business, operating out of both a trailer in the parking lot and in a temporary site.

The new store includes six of the company's 11 departments, which all operate on a vertical self-sufficient structure: general merchandise, pharmacy, nutrition, soft lines (predominantly sports apparel), fine jewelry, and photo and electronics.

According to company spokesman Rob Boley, the new store is about the same size as the previous location. However, the category mix is now greatly expanded from the past assortment and better targets the urban market.

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Vol. 10, No. 20 Oct. 10, 1988

Texas stores brace for Gilbert, but are spared hurricane's fury

By Pamela Krein

BROWNSVILLE, Tex. — Texas area drug stores had readied for the worst of Hurricane Gilbert's fury, but the storm's path hit south of the state and spared the region from the devastation witnessed in Mexico, the Yucatan and Jamaica.

Billed as the worst hurricane to ever hit the Western Hemisphere, Gilbert had cities all along the Texas coast preparing for monumental damage. Playing a part in the preparations, the area's drug stores were often sold out of such storm necessities as batteries, kerosene lamps, masking tape, candles and distilled water.

Retailers from Texas's Gulf Coast told *Drug Store News* they also filled a higher than average number of script orders, since many customers fled these cities with their essentials, not knowing when they would be able to return to their homes.

At Medico Discount Drug in Brownsville, store manager Vidal Hernandez said total sales ran three times higher than normal the day before the storm hit. Sales were up for obvious storm-related items like batteries, but Hernandez said the store also sold a lot of games, as customers sought ways to wait out the storm.

Hernandez said the store stocked up on staples, boarded windows and closed on the day Gilbert was expected to hit.

While Hernandez said the area experienced heavy rain, wind and minor power outages, his store and merchandise were not damaged.

Perfecto's Pharmacy in Brownsville also remained unharmed by the storm, according to manager Persecto Garcia. "People who were prepared didn't have any damage," he said.

Garcia said his store took precautionary measures, such as securing medicines and its computer system. He brought items like insulin home the day of the storm, Garcia said, to assure they could be kept cold in case of a power outage.

For Felix Maldonado, owner of Maldonado Pharmacy in Brownsville, the only damage he had was some spoiled insulin. While Maldonado said he remembered to place dry ice in the store's refrigerator compartment, he forget to place dry ice in the freezer, resulting in some spoiled products when power outages occurred.

Although Gilbert's intensity decreased as it progressed through Texas, several areas were faced with ensuing tornadoes. San Antonio alone sighted some 30 twisters. Even here, damage was limited.

Revco and Walgreen, which both have numerous stores in San Antonio, said their stores remained undamaged by the storm, although some closed briefly.

Mary Ellen Kari, Walgreen's spokesperson, said the chain rushed extra merchandise to these stores, and made sure that technical backup was available via generators.

Similar plans were in place at Revco, which sent regional personnel to the area on a 24-hour call basis in case of storm damage, company spokeswoman Kathleen Obert told *Drug Store News*.

Sixty years of drug store retailing

The following items were taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

NEW YORK, 1928 — The chain drug store that is anxious to speed up sales in its cigar and cigarette section will do well to consider its displays with a critical eye. It is not enough that displays be *adequate*, they need to be *superlatively* good.

They should be planned to suggest the purchase not only of cigars and cigarettes, but of the many allied articles that the progressive drug chain will have on its counters. They should appeal to women as well as men. This holds true of displays in practically any urban chain, for while women use cigarettes more freely and openly in the larger cities than the smaller ones, the practice is rapidly coming into good repute everywhere.

50 years ago

OAKLAND, Calif., 1938 — What appeared to be a 10-gallon keg of old-fashioned cough drops sharpened shopper interest in a window of the Owl drug store, Alcatraz and Adeline Streets, Oakland, Calif.

A hole was cut in the side of the plain wooden keg, halfway from top to bottom. In back of this inside the keg was placed a regular five-pound candy jar filled with cough drops. The set-up had the appearances of a completely filled wooden keg with a small glass window.

40 years ago

DEERFIELD, Ill., 1948 — Newspaper advertising for a Walgreens back-to-school promotion used a series of plays on words to catch the school age eye. Heading for the page said "Walgreens heads the class for school-time savings." Each item had its own trick phrase: "Passes every test without cramming" for a carryall and "Be a 'Freshie' year after year" for deodorant.

30 years ago

INDIANAPOLIS, 1958 — Hook Drugs, the 52-store Indianapolis chain, has settled on an opening format that provides for a "private preview and reception" to which it invites all the families in the community to be served by the new unit. Despite the fact that the company keeps the previews on a "noncommercial" basis by selling no merchandise, attendance ranges from 1,000 to 3,000. The actual store opening is on the Monday following the Sunday open house.

20 years ago

FORT LEE, N.J., 1968 — Genovese drug stores, with 17 units in and around New York City, entered the New Jersey market with the opening of a 15,000 square foot unit in Fort Lee. The new unit is the first of five stores planned for openings in 1968-'69, and part of the chain's overall plan to expand out of the New York City area.

10 years ago

CLEVELAND, Ohio, 1978 — Progress for Gray Drug predates even the name Gray. Company roots are grounded in founder Adolph Weinberger's first drug store, opened in 1912.

A proud, hard-working man with confidence in his ideas, Weinberger flourished and built a seven-store chain in 1928. It was then that Weinberger's Cut-Rate Drug Stores, forerunner of Gray Drug Stores, came into corporate being.

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SPECIAL SAMI/BURKE REPORT

'80s have seen proliferation of million-$ brands

Product
Tracking
Alan
Miller

Twice each year we issue a report identifying brands in 52 categories of health and beauty aid products that generate $1 million or more in retail drug volume. Our focus is on million-dollar brands launched since 1980, and the summary is based on the 52 weeks ended July 15, 1988.

Some of the numbers may be understated, since there may be line extensions that could be regarded as new products. What's more, there are many products introduced regionally or recently that have not been counted because they have not reached the million-dollar level.

In the 52 H&BA categories tracked by SAMI for which we have two full years or more of data, there were 918 brands with annual volume exceeding $1 million. Of these brands, 298—or 32.5 percent—were introduced during the '80s. Ten of these new brands currently enjoy annual volume of more than $25 million. Another 22 new brands now generate between $10 million and $25 million. And fifty brands introduced during the '80s have achieved sales ranging between $5 million and $10 million.

Interestingly, we find that new brands turn up more frequently on the million-dollar list as the sales parameters decline. For example, new brands comprise 34.4 percent of those generating $2.5 million to $5 million and 40.1 percent of those ranging from $1 million to $2.5 million.

During the 1980s, the biggest year for the introduction of million-dollar brands was 1985, when 55 were launched. Forty-four were launched in both 1984 and 1987, and 40 first appeared during 1986. The low points were reached in 1980 and '81 when 24 and 19, respectively, were introduced. 1

Because new products have a relatively short life span in a number of categories—particularly hair care needs—there are many new products first marketed in the early '80s that have either disappeared from drug store shelves or now command annual volume of less than $1 million.

Of the new million-dollar products of the '80s, 3.4 percent are in the $25 million volume group. In contrast, *all* $25 million-plus brands comprise 5.4 percent of *all* million-dollar brands.

There are 25 H&BA SAMI categories in which drug store volume from new brands of the '80s accounted for more than 10 percent of total volume in the year under scrutiny. In four of these categories, the new brands contributed more than 40 percent of annual category volume.

The category with the highest percentage was hair setting needs, where a plethora of new mousse styling entries helped to build new million-dollar brands' share of total category volume to 65.2 percent. (New brands with less than $1 million currently would increase this level even higher.)

New tartar control dentifrices and special formulations for children are responsible for the 42.3 percent share of new brands in the toothpaste and powder category.

There has also been a high degree of product "churning" in the appetite suppressant category, where 42.9 percent of current volume comes from new million-dollar brands of the '80s.

New over-the-counter cortisone antiseptics can take much of the credit for the 40.4 percent share of first aid antiseptics generated by brands launched in the '80s. In the eye care products category, new contact lens items have caused strong expansion during the '80s, to the point where new brands comprise 38.8 percent of category sales.

As noted earlier, there is always a steady flow of new products in all hair care needs categories, except for home permanent kits (5.2 percent accounted for by new brands) and hair coloring (14.7 percent of volume from new products).

Cold remedies is another product category with a high new product introduction, while new mouthwash items have been proliferating during the '80s. The mouthwash that now ranks #3, Plax, was launched in 1986 and now accounts for more than $25 million in drug stores alone.

There are four H&BA categories in which new brands of the '80s currently provide more than $100 million through drug stores alone, paced by cold remedies with $192.6 million and eye care products with $179.5 million. New brands provide $150.7 million among internal analgesics and $102.3 million for toothpaste and powder.

Finally, there are 10 product categories with no million-dollar brands of the '80s, including infant clothes, cream deodorants, denture adhesives, tranquilizers and feminine douches/washes.

Importance of new brands in drug stores

	Volume group—annual retail sales					
	$25 million -plus	$10-$25 million	$5-$10 million	$2.5-$5 million	$1-$2.5 million	Total
Million dollar brands introduced since 1980	10	22	50	78	138	298
Total number of million dollar brands (old & new)	50	133	164	227	344	918
Percentage of "new" brands introduced since 1980	20.0%	16.5%	30.5%	34.4%	40.1%	32.5%

Source: SAMI/Burke

Drug store distribution of million dollar brands in volume groups

(Total brands vs. brands introduced since 1980)

	Volume group - annual retail sales					
	$25 million plus	$10-$25 million	$5-$10 million	$2.5-$5 million	$1-$2.5 million	Total
% brands introduced since 1980	3.4%	7.4%	16.8%	26.2%	46.2%	100.0%
% total million dollar brands	5.4	14.5	17.9	24.7	37.5	100.0

Number of million-dollar brands of the '80s by year of introduction

1980	1981	1982	1983	1984	1985	1986	1987	1988
19	24	27	38	44	55	40	44	7

Source: SAMI/Burke

Product categories with highest share of drug store dollars contributed by new million-dollar brands introduced in the '80s

(Year ending July 15, 1988)

Category	Share of drug store category volume contributed by new rands of the '80s	Retail drug store volume from new brands of the '80s (Thousands of $)
Hair setting needs	65.2%	$ 58,687
Toothpaste & powder	43.3	102,346
Appetite suppressants	42.9	42,224
First aid antiseptics	40.4	65,315
Eye care products	38.8	179,527
Hairspray	33.6	75,866
Hair conditioning rinses	33.0	53,930
Cold remedies	32.4	192,564
Hair dressing needs	32.1	35,013
Mouthwash	31.1	59,125
Shampoo	26.9	88,367
Hand & body cream/ lotion	23.0	49,120
Facial preparations	21.9	36,211
Internal analgesics	19.9	150,701
Stick deodorants & pads	19.6	31,202
Foot deodorants & athlete's foot remedies	18.8	12,288
Spray deodorants	16.6	14,409
External analgesics	16.1	17,455
Laxatives & stool softeners	15.6	50,587
Suntan lotions & oils	15.3	18,752
Toothbrushes	15.0	14,203
Hair coloring	14.7	40,877
Cough remedies	14.3	46,209
Roll-on deodorants	13.1	10,878
Natural vitamins, minerals & supplements	10.3	18,101

Source: SAMI drug store service.

Med Shoppe's earnings up 43 percent, revenues up 19 percent for 3rd quarter

ST. LOUIS — Medicine Shoppe's net earnings and earnings per share both increased 43 percent in the third quarter ended June 30, while revenues increased 19 percent.

Third-quarter net earnings climbed to $1.6 million, compared with $1.1 million for the like quarter last year. Earnings increased to 30 cents per share from 21 cents per share for the same period a year ago.

Third-quarter revenues increased from $5.0 million to $5.9 million. Sales to franchisees continued to accelerate, up 26 percent for the quarter.

For the nine months, net earnings rose 37 percent, to $4.2 million, from $3.1 million in the like year-earlier period. Earnings per share increased 36 percent, to 79 cents, from 58 cents.

Revenues for the nine months were up 20 percent, from $14.6 million to $17.5 million. Sales to franchisees increased 24 percent: $4.4 million versus $3.5 million. This is a continuing trend that is primarily due to the increase in the number of Medicine Shoppe private label over-the-counter products, according to the company.

Total retail sales reported by franchised pharmacies rose 18.4 percent, to $276.9 million, compared with $233.8 million for the corresponding nine-month period last year. Comparable store-for-store sales for the nine months continued to increase at a 15-percent rate.

The strong increase in earnings for the quarter and nine months is attributable to increased earnings from operations and the favorable impact of the Tax Reform Act of 1986, the company said.

TRENDS

‘Snowbirds’ thaw out sales for Sunbelt’s deep discounters

PHAR-MOR
Save Up To 50% Everyday

Phar-Mor reinforces its everyday low-price image with overhead signs that are impossible to miss and tell a message that appeals to shoppers on fixed incomes.

By Susan Ball

They arrive in mid-October or November, open their condos and townhouses and soak up the sun in places like Fort Myers, Fla., or Phoenix until April or May, then fly away home to the likes of Ohio, Michigan or New York.

Permanent residents call them “snowbirds,” and their migrations to Sunbelt havens have a definite impact on local trade.

One newspaper, the *News/Sun-Sentinel* in Fort Lauderdale, Fla., even publishes a *Snowbird* edition, to keep them up to date on their winter homes during their summer absence. (See box on page 40.) And the snowbird effect is reflected in the Sunday circulation of the Miami *Herald*, which rises from about 540,000 in the summer to about 650,000 come wintertime.

“Snowbirds are definitely an important part of our business,” said Gregg Roberson, vp-operations of Drug Emporium of Arizona, a franchise.

Rusty Cowart, manager of the Drug Emporium franchise in Orlando, Fla., estimates that 20 percent to 25 percent of the customers in his stores during the winter are snowbirds.

To some extent, deep discounters such as Drug Emporium, Phar-Mor, Drug Castle and Freddy’s, which established their reputations in Northern or Midwestern markets and then opened stores in Florida or the Southwest, have their cake and eat it, too: Snowbirds from Ohio are already familiar with Drug Emporium or Phar-Mor back home, so when one opens up in, say, Orlando, they are likely to flock to it.

“I think people do identify with the same chains in the North and South, especially drug stores, because they’ve built trust in one at home,” and that carries over, said Jo Bowman, a display advertising account executive with the *News/Sun-Sentinel*.

Although deep discount drug store operators in some Florida and Southwest areas know their sales rise sharply during the winter, with January and February busier than for their Northern counterparts, they don’t overtly go after the snowbird trade. For example, they generally don’t advertise their Southern stores in Northern markets, or vice versa, although Freddy’s in-store posting of all its store locations might arguably be cited as a subtle reminder to snowbirds.

“We do more advertising during the winter months,” said Roberson, but the Arizona Drug Emporiums don’t target snowbirds specifically.

Snowbirds shop frequently for laxatives and other over-the-counter remedies at Drug Emporium.

“The deep discount image creates its own advertisement,” said Brad Taylor, who recently opened a new deep discount operation, Bradwood’s, in Fort Myers, Fla. “Word of mouth works best, with snowbirds and permanent residents.”

Nor do they track this customer segment systematically. However, several said they get feedback indicating snowbirds shop their stores at both ends of the line: Customers note a difference in a product’s price from what they paid in the chain’s store back home, or ask for a product not carried in a Phoenix store that they had bought in a Colorado unit of the same company.

Snowbirds are “icing on the cake,” said Dale Obracay, vp of Bay Area Drug Distributors, which has the Drug Castle franchise in Bayonet Point, Fla., north of Tampa.

Snowbirds are generally retirees, or at least “empty-nesters” over 50, and the elderly population has had a decided impact on the way a Freddy’s, for instance, does business in a retirement area of Florida, compared with a Freddy’s in the North, or even one in Florida with a younger customer base.

The impact can be seen in store layout and furnishings, sales within categories, the ticket amount and product sizes stocked.

Although deep discounters typically carry larger product sizes, stores with a predominantly elderly clientele sometimes go to smaller sizes on certain products to accommodate those customers.

“Up North, they buy Tide in 9-pound boxes, where down here, they couldn’t carry it out of the store,” said one deep discount operator, who carries a smaller size for his older clientele.

“Customers will actually say to you, ‘I’ll be dead before I use all this,’ ” said Dennis Poirier, head buyer and vp for Freddy’s Florida region. The Freddy’s in West Palm Beach, Fla., for example, carries smaller sizes of Advil than does its Coral Springs store, which has a predominantly young family and Yuppie-type customer base.

Moreover, snowbirds and

Continued on page 40

Pharmacy presence at deep discounters

Retailer	Total stores	No. with Rx depts.	% with Rx depts.	No. with Rx computers	% with Rx computers
Drug Emporium	150	150	100	30	20
Phar-Mor	89	88	99	88	99
Drug Palace (Rite Aid)	33	33	100	32	97
F & M	55	28	51	28	51
Freddy’s (Melville)	18	17	94	17	94
Dot (Wal-Mart)	14	14	100	14	100
Rockbottom	30	13	43	0	0
Drug World (SupeRx)	13	13	100	13	100
Marbal Discount Drugs (Marc’s)*	14	12	86	12	86
Howie’s (SDM)	11	11	100	11	100
Drug Castle (Brown)	10	10	100	10	100
A.L. Price (Perry)	13	8	62	8	62
Rx Place (Woolworth)	8	8	100	8	100
Bud’s (Peoples)	9	8	89	8	89
Joel and Jerry’s	6	6	100	6	100
Get It for Less	6	6	100	5	83
Cost Cutters (Community Dist.)	9	6	66	1	11
Maxidrug (Jean Coutu)	4	4	100	4	100
Value Giant (Pay Less NW)	2	2	100	2	100
Price Less	2	2	100	2	100
Ike’s (Malone & Hyde)	3	1	33	1	33
Cecille’s	7	0	0	0	0
Total Plus (Dart)	5	0	0	0	0

*Deep discounters include nine called Marc’s and five called Bernie Shulman’s

Note: Pay Less NW has closed its Wonder World deep discount stores and converted sites to other formats.

Source: *Drug Store News* research

1988 Nielsen Review of Retail Drug Store Trends

Published in Cooperation with DRUG STORE NEWS

Introduction

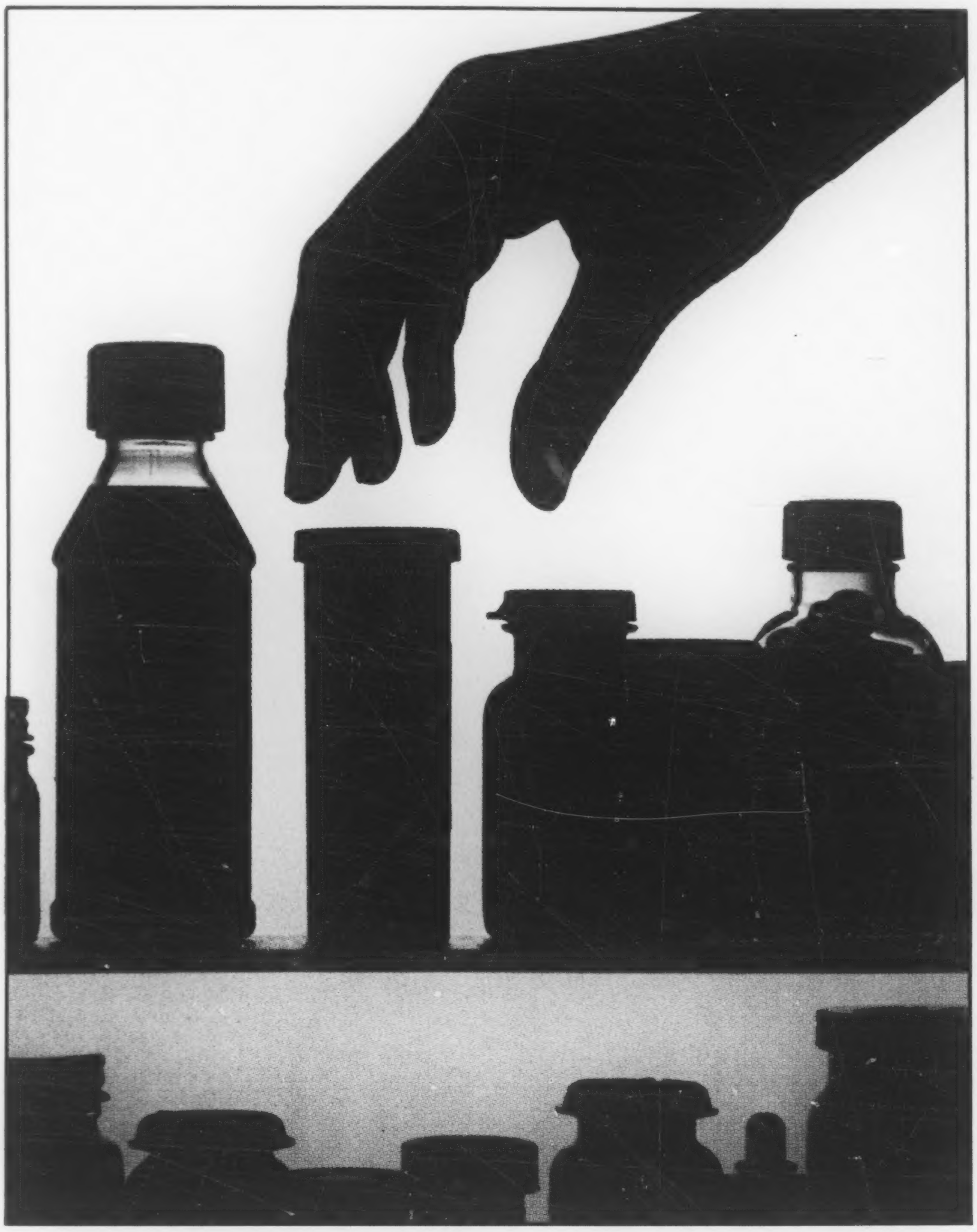
1988 Nielsen Review of Retail Drug Store Trends

1988 is proving to be a banner year for drug stores. So far this year, retail drug store sales increased 8%, well ahead of 1987.

Total retail sales were up 5% in 1987 and they're up 7% for the first half of 1988.

The information compiled by Nielsen Marketing Research and presented in this publication shows that:

- Consumers still have money to spend and that is one of the major reasons that the U.S. economy continues to perform well.
- Economic growth during the remainder of 1988 and the first half of 1989 will be moderate.
- Chain drug outlets now account for 62.1% of all U.S. retail drug store sales.
- Drug store sales of toiletry and remedial items are increasing at a rate that is twice their growth in food stores.
- 86% of all chain drug outlets now have computerized pharmacy operations.
- Alcoholic beverages are now sold in 64% of all chain drug stores.
- Chain drug store executives are predicting that the use of cable TV and other electronic media as advertising mediums will be greatly expanded during the next five years.
- More than 8 out of 10 key chain drug executives feel that within the next five years, the utilization of UPC scanner checkout systems in their stores, will equal the utilization within food chains.



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Nielsen Marketing Research would like to thank the staff of Drug Store News for their advice in assembling this review and including it in their October 10, 1988 issue.

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CHAPTER I:
The Economic Environment

The U.S. economy is expanding at a pace that exceeds the projections of analysts in the aftermath of the 1987 October financial crisis. Whatever influence the stock market crash had on real economic activity is behind us. The dark clouds on the horizon continue to be the federal budget and trade deficits.

The economy's strength over the past several months has been attributed to robust consumer and business spending accompanied by healthy export growth. Total U.S. retail sales increased 5% in 1987 to $1.5 trillion. During the first half of 1988, sales are running 7% greater than last year and are expected to continue at that rate for the remainder of this year.

Economic growth during the remainder of 1988 and the first half of 1989 should be moderate.

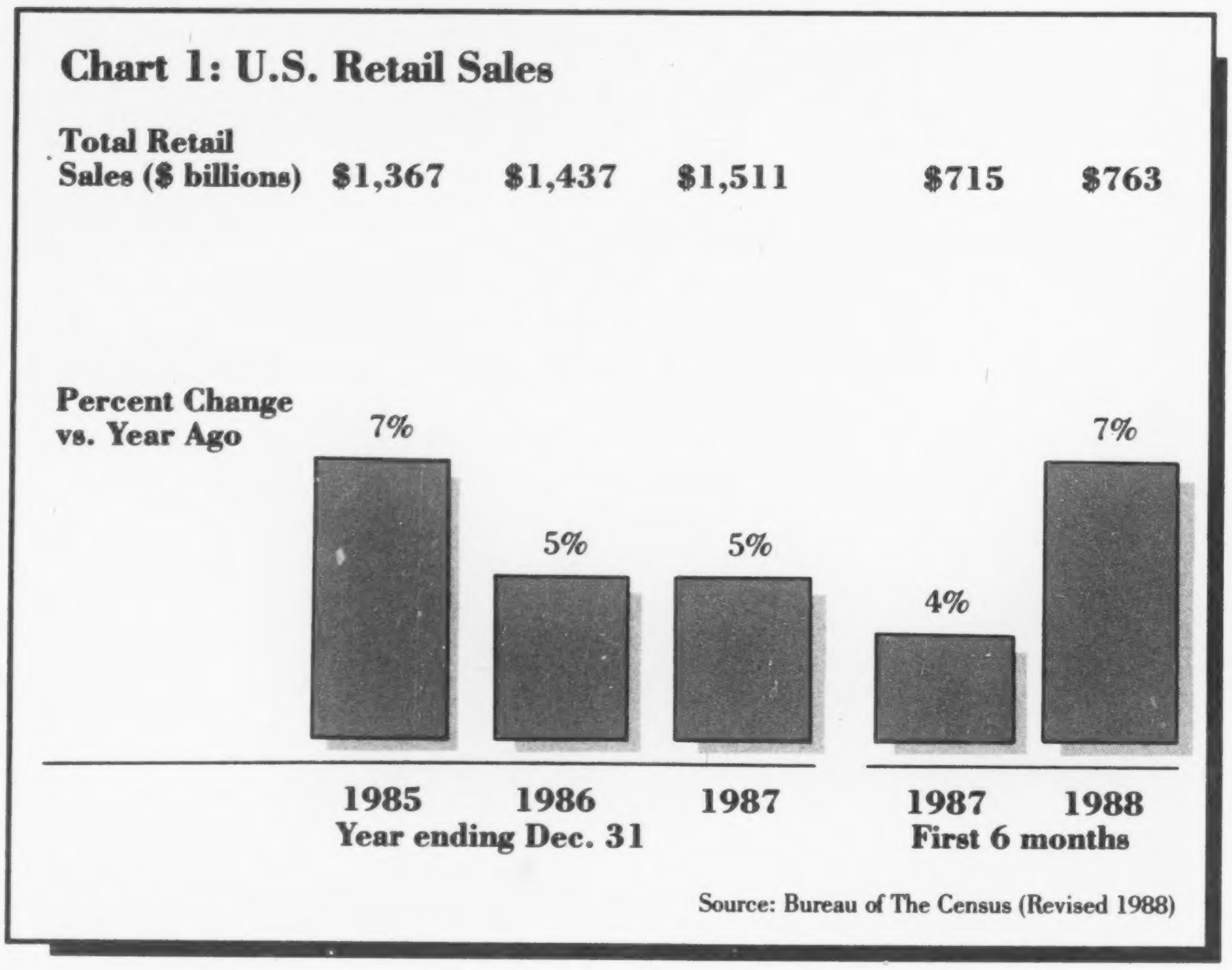


Chart 1: U.S. Retail Sales

Source: Bureau of The Census (Revised 1988)

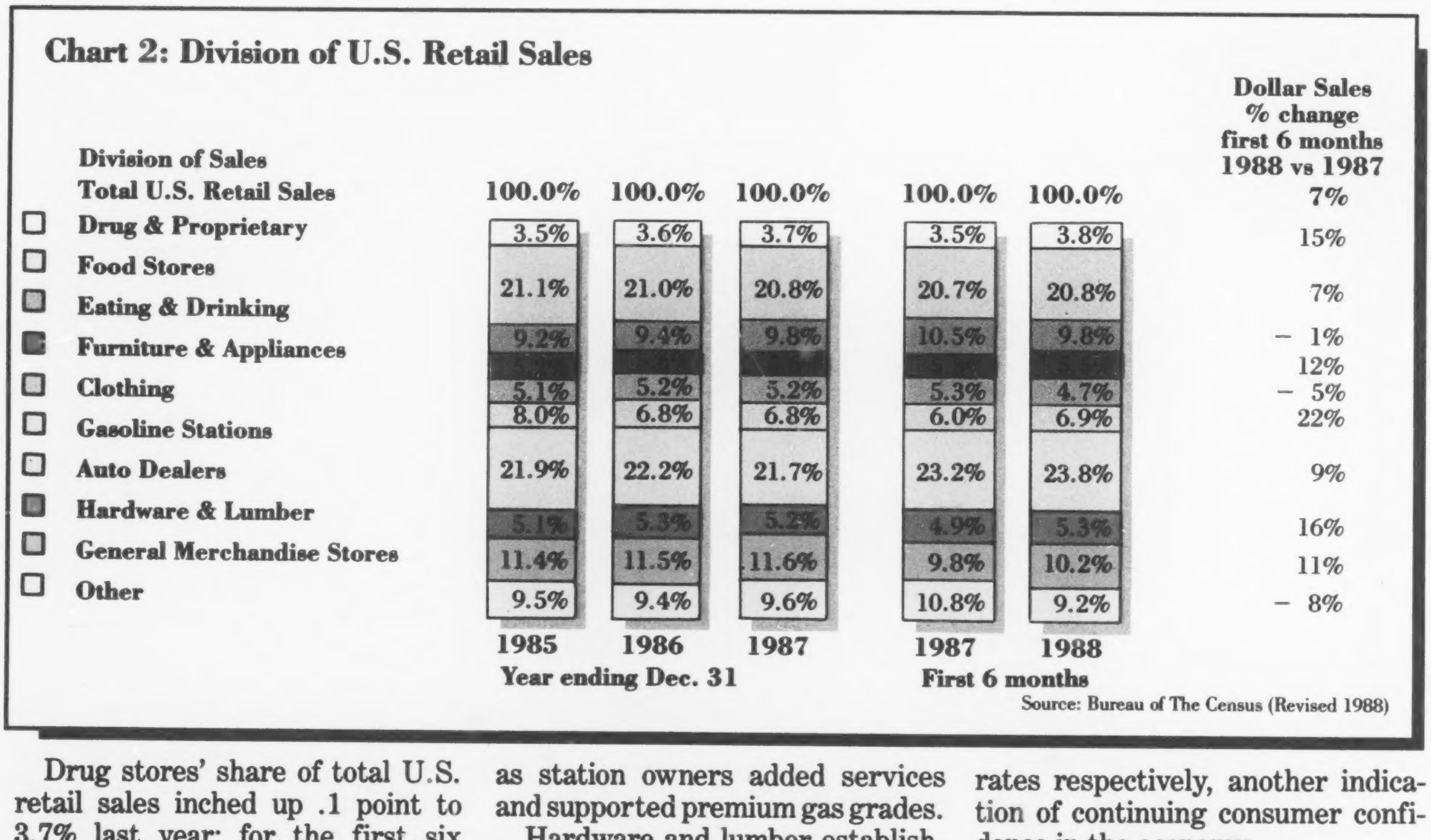


Chart 2: Division of U.S. Retail Sales

Source: Bureau of The Census (Revised 1988)

Drug stores' share of total U.S. retail sales inched up .1 point to 3.7% last year; for the first six months of 1988, drug stores grabbed a 3.8% share of all retail sales.

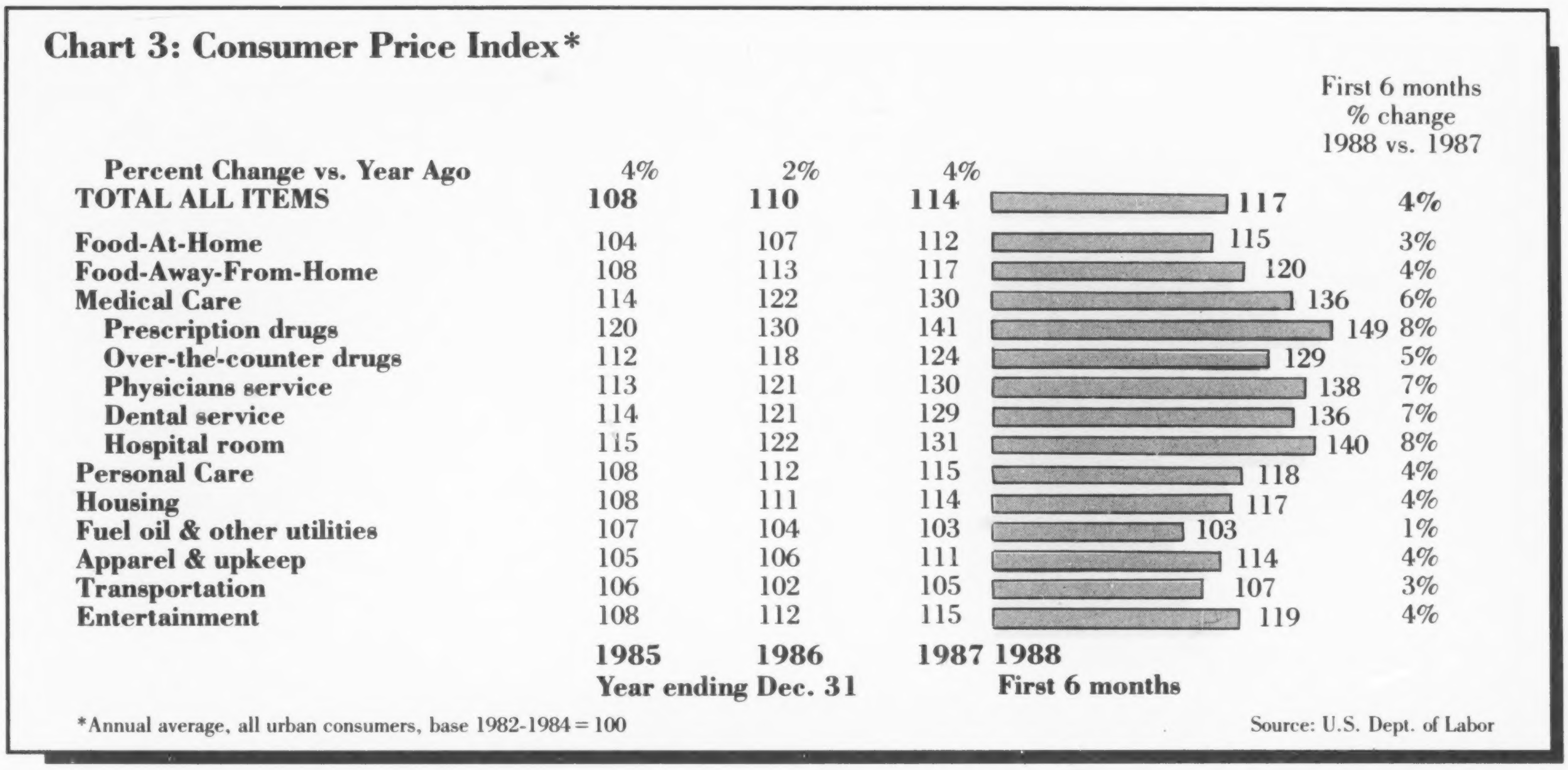
Gasoline station sales have climbed 22% above a slow year ago as station owners added services and supported premium gas grades.

Hardware and lumber establishment sales rose 16%, now accounting for 5.3% of sales.

Furniture and appliances as well as general merchandise store sales steamed along at a 12% and 11% rates respectively, another indication of continuing consumer confidence in the economy.

Clothing sales and eating and drinking establishment sales slipped from strong year ago levels by −5% and −1% respectively.

Chart 3: Consumer Price Index*



	1985	1986	1987	1988	First 6 months % change 1988 vs. 1987
Percent Change vs. Year Ago	4%	2%	4%		
TOTAL ALL ITEMS	**108**	**110**	**114**	**117**	4%
Food-At-Home	104	107	112	115	3%
Food-Away-From-Home	108	113	117	120	4%
Medical Care	114	122	130	136	6%
Prescription drugs	120	130	141	149	8%
Over-the-counter drugs	112	118	124	129	5%
Physicians service	113	121	130	138	7%
Dental service	114	121	129	136	7%
Hospital room	115	122	131	140	8%
Personal Care	108	112	115	118	4%
Housing	108	111	114	117	4%
Fuel oil & other utilities	107	104	103	103	1%
Apparel & upkeep	105	106	111	114	4%
Transportation	106	102	105	107	3%
Entertainment	108	112	115	119	4%

1985 1986 1987 **Year ending Dec. 31** — **1988 First 6 months**

*Annual average, all urban consumers, base 1982-1984 = 100

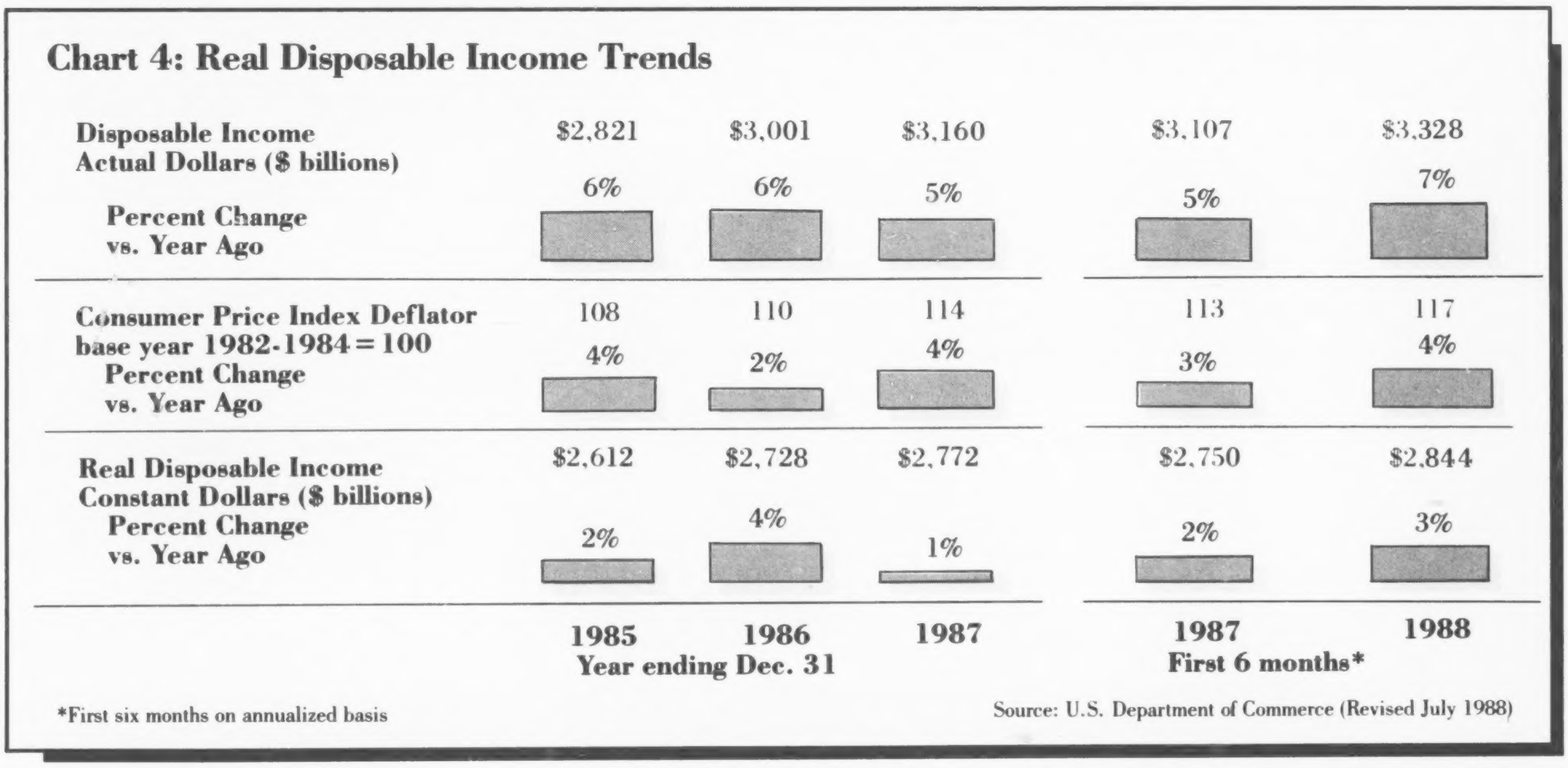
Source: U.S. Dept. of Labor

Price inflation remains surprisingly low given continuing strong consumer and business spending. The 4% rate of inflation during 1987, which continued through the first part of 1988, is only marginally greater than 1986. Price inflation is expected to hold at the 4% level for the rest of 1988.

The highest increases are within the medical care area. Year-to-date 1988 increases are averaging 6%. Over-the-counter drug price inflation has remained on the low side (+5%), while prescription drug prices are higher (+8%) as are most medical service costs.

Personal care costs which includes toiletry products and personal care services, are increasing at a 4% rate.

Chart 4: Real Disposable Income Trends



	1985	1986	1987	1987 First 6 months*	1988 First 6 months*
Disposable Income Actual Dollars ($ billions)	$2,821	$3,001	$3,160	$3,107	$3,328
Percent Change vs. Year Ago	6%	6%	5%	5%	7%
Consumer Price Index Deflator base year 1982-1984 = 100	108	110	114	113	117
Percent Change vs. Year Ago	4%	2%	4%	3%	4%
Real Disposable Income Constant Dollars ($ billions)	$2,612	$2,728	$2,772	$2,750	$2,844
Percent Change vs. Year Ago	2%	4%	1%	2%	3%

1985 1986 1987 Year ending Dec. 31 — **1987 1988 First 6 months***

*First six months on annualized basis

Source: U.S. Department of Commerce (Revised July 1988)

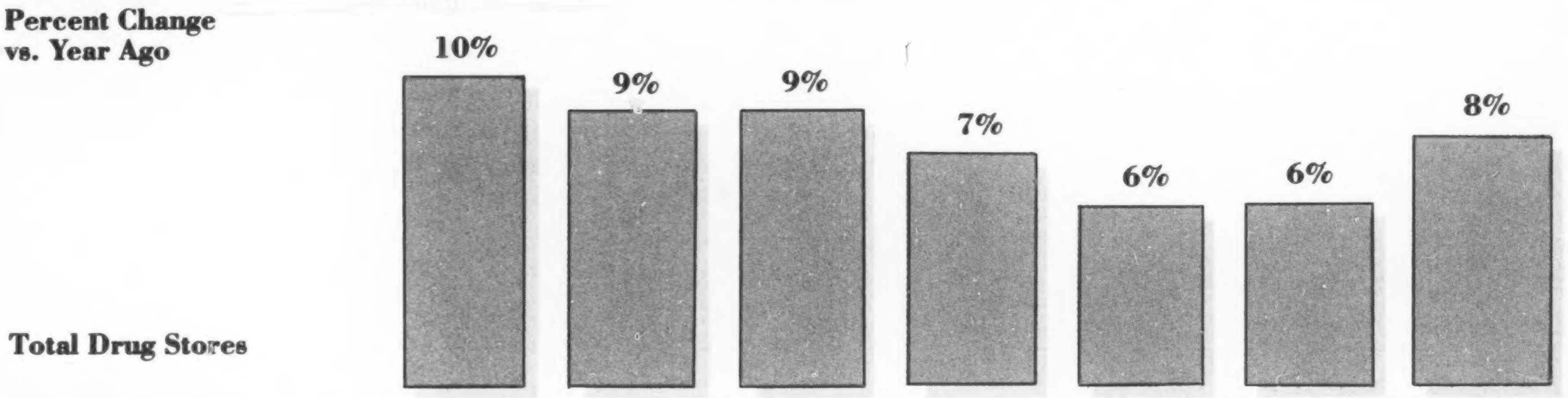
Consumers have more money to spend. Real income gains are coming in at a rate of 3% in the first part of this year. Consumers are using their disposable income, as well as savings and credit for purchasing big ticket items from furniture, appliance and general merchandise stores.

During 1989, consumer spending will begin to slow as consumers have to pay off high debt levels and plan for higher tax rates.

Chapter II:

Retail Drug Store Sales

Chart 5A: U.S. Retail Drug Store Sales—Chains vs. Independents



	1983	1984	1985	1986	1987	1987	1988
All Independents	7%	5%	6%	7%	3%	4%	4%
All Chains	11%	12%	11%	7%	8%	8%	10%
Dollar Sales ($ billions)							
Total Drug Stores	**$39.7**	**$43.2**	**$47.0**	**$50.3**	**$53.4**	**$26.3**	**$28.3**
All Independents	$16.9	$17.7	$18.8	$20.1	$20.7	$10.3	$10.7
All Chains	$22.8	$25.5	$28.2	$30.2	$32.7	$16.0	$17.6

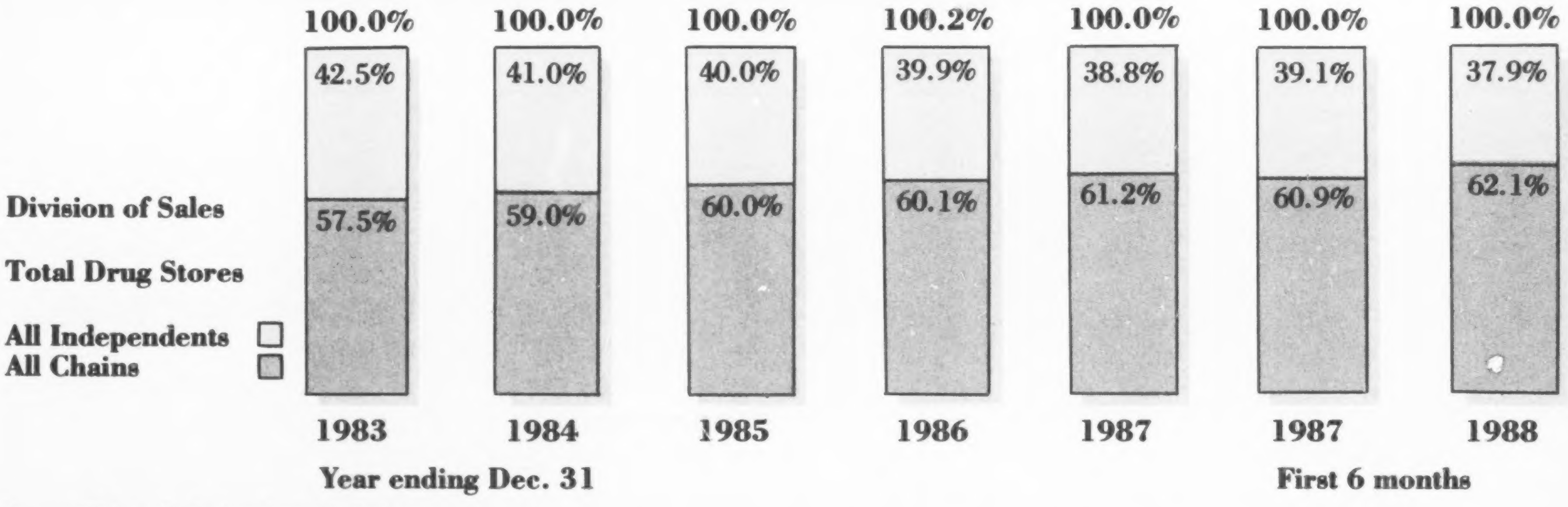
Year ending Dec. 31 (1983–1987) — **First 6 months** (1987, 1988)

Source: Nielsen Marketing Research Estimates

$53.4 billion in sales!—that's what consumers spent in drug stores during 1987. So far this year, consumers have increased their spending rate by 8%, so 1988 should be a banner year for drug store owners.

Sales strength is coming from all departments with both the pharmacy and front-of-store operations contributing to the gains. Front-of-store gains have been spurred by both over-the-counter remedial and personal care items as well as non-traditional merchandise product lines.

Chart 5B: U.S. Retail Drug Store Sales Share—Chains vs. Independents



Source: Nielsen Marketing Research Estimates

Chain drug stores now account for 62.1% of sales, up 1.2 points over last year. Nielsen defines chains as 4 or more stores under common ownership.

Chart 6: Drug Stores: Retail Drug Store Sales -By Nielsen Retail Marketing Area

	1987 Drug Store Dollar Sales ($ millions)*	% change vs. year ago	1987 Share of U.S. Sales	1987 Number of Households (millions)	Index Drug Store Sales Per Household US = 100	1987 Effective Buying Income ($ billions)	Index Buying Income per household US = 100
TOTAL UNITED STATES	**$53,733**	**6%**	**100.0%**	**89.1**	**$600**	**$2,960**	**$33,675**
New England	$2,953	10%	5.5%	4.7	105	$ 179	115
Metro New York	$2,808	10%	5.3%	5.9	79	$ 236	121
Albany/Buffalo/Syracuse	$1,626	3%	3.0%	2.6	104	$ 90	103
Philadelphia	$2,276	8%	4.3%	3.8	100	$ 132	107
Baltimore/Washington	$1,932	3%	3.6%	3.0	107	$ 116	118
Pittsburgh	$1,287	10%	2.4%	2.4	89	$ 68	85
Cleveland	$1,460	5%	2.7%	2.5	99	$ 78	93
Detroit/Grand Rapids	$2,280	5%	4.3%	3.5	107	$ 118	100
Indianapolis/Cincinnati/ Lexington	$2,564	10%	4.7%	4.0	107	$ 122	91
Metro Chicago	$2,123	4%	4.0%	2.9	123	$ 110	116
St. Louis/Peoria	$1,139	4%	2.1%	2.2	86	$ 70	96
Kansas City/Omaha/Iowa	$1,710	5%	3.2%	3.7	76	$ 116	93
Minneapolis/Wisconsin	$1,906	4%	3.5%	3.9	80	$ 127	98
Denver/Mountains	$1,049	6%	2.0%	2.1	84	$ 65	96
Virginia/Carolinas	$2,618	5%	4.9%	4.6	94	$ 135	88
Florida/South Georgia	$3,298	9%	6.2%	5.1	108	$ 153	91
Georgia/Alabama	$2,915	7%	5.4%	5.2	93	$ 148	85
Delta	$2,330	6%	4.4%	4.1	95	$ 108	82
Albuquerque/San Antonio/ Oklahoma	$1,463	4%	2.8%	3.7	65	$ 106	86
Dallas/Houston	$2,143	1%	4.0%	4.0	88	$ 139	104
Southern California	$4,454	11%	8.3%	6.2	118	$ 237	114
Boise/Salt Lake/Phoenix	$1,349	11%	2.5%	2.0	109	$ 61	91
Northern California	$4,009	4%	7.5%	4.2	160	$ 157	113
Seattle/Portland	$1,791	3%	3.3%	2.9	103	$ 89	94

*year ending Dec. 31

Source: Nielsen Market Research estimates. Market Statistics estimates

Total U.S. drug store sales increased an average of 6% across the U.S. in 1987.

Much of that strength can be found at opposite ends of the country: on the east coast (New England at +10% and Metro New York at +10%) and in the west, Southern California at +11%, and Boise/Salt Lake/Phoenix at +11%).

There are no areas reporting sales decreases although sales in Dallas/Houston (+1%) are slow.

Total drug store sales per capita is highest again this year in Northern California (160), Chicago (123) and Southern California (118). These are areas where drug stores have been particularly successful in presenting to consumers a wide variety of non-traditional merchandise and services.

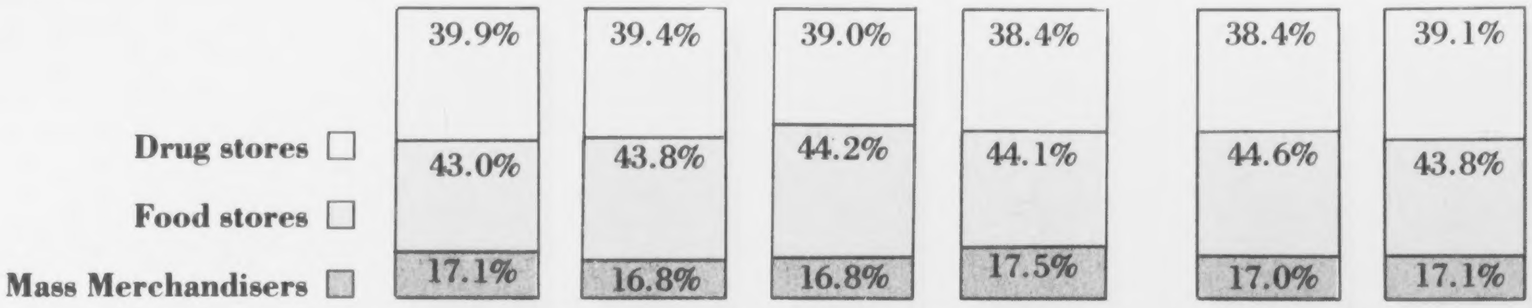
5

Chapter III:

HBA Sales Trends

Chart 7: HBA Division of Sales—Drug Vs. Food Vs. Mass Merchandisers

Nielsen HBA Index categories 3 outlets combined	1984	1985	1986	1987	1987	1988
	Year ending Dec. 31				First 6 months	
% change vs. year ago	8%	5%	6%	6%	6%	7%
Dollar Sales ($ millions)	$23,821	$24,941	$26,409	$27,884	$13,724	$14,743
Division of sales 3 outlets combined	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Drug stores ☐	39.9%	39.4%	39.0%	38.4%	38.4%	39.1%
Food stores ☐	43.0%	43.8%	44.2%	44.1%	44.6%	43.8%
Mass Merchandisers ▨	17.1%	16.8%	16.8%	17.5%	17.0%	17.1%



Source: Nielsen Marketing Research

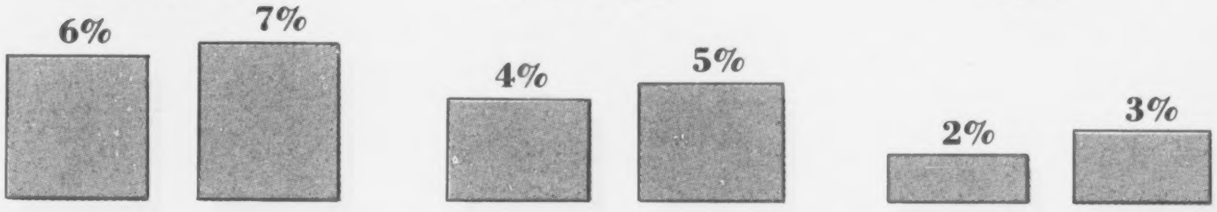
Drug Store HBA Index dollar sales, up 9% so far this year, are outpacing both food store and mass merchandiser HBA Index sales. Drug stores have captured 39.1% of HBA sales, up by .7 point from last year, the first increase in years. This gain has been at the expense of food stores.

Total three outlet dollar sales reported by the Nielsen HBA Index are, for the second straight year, increasing at a strong 7% rate.

The categories that comprise the index generated $27.9 billion in sales. For the first six months of 1988, the categories in the HBA Index generated $14.7 billion in sales.

The Nielsen HBA Index is currently composed of 66 selected over-the-counter toiletry, cosmetic, remedial and paper goods categories. No prescription items are included.

Chart 8: HBA Sales and Price Trends—Drug Vs. Food Vs. Mass Merchandisers



% Change vs. Year Ago Nielsen HBA Index categories	Dollar Sales Trends		Unit Sales Trends*		Price Trends*	
	1987	1988	1987	1988	1987	1988
	First 6 months		First 6 months		First 6 months	
3 outlets combined	6%	7%	4%	5%	2%	3%
Drug stores	2%	9%	0%	6%	3%	3%
Food stores	7%	5%	4%	3%	3%	3%
Mass merchandisers	13%	9%	13%	7%	1%	2%

6 months ending June 30
*Weighted by dollar importance of each category

Source: Nielsen Marketing Research

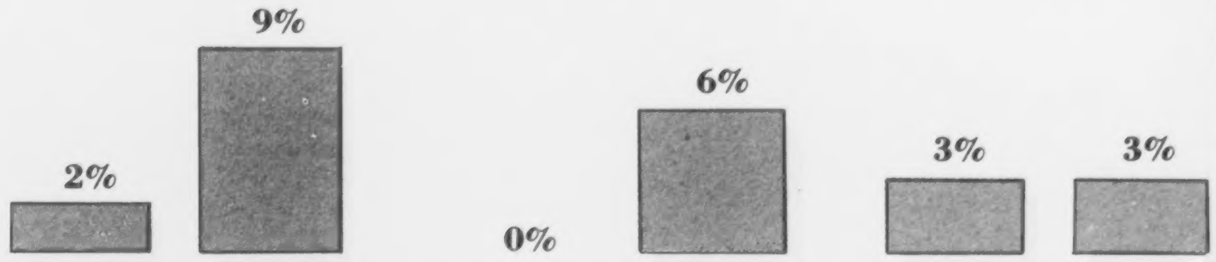
Real drug store growth (unit sales), as reflected in the Nielsen HBA Index categories, jumped 6% over last year and is double the growth rate in food stores.

Price inflation remains stable at about 3% in all three outlets.

Mass merchandiser strength comes from strong sales growth of oral hygiene categories, cold/cough/flu products and batteries.

The total dollar volume of the 66 categories in the Nielsen HBA Index represents 20.0% ($10.7 billion) of all drug store sales and 4.1% ($12.3 billion) of total food store volume.

Chart 9: HBA Sales and Price Trends—Drug Stores



% Change vs. Year Ago	Dollar Sales Trends		Unit Sales Trends*		Price Trends*	
	1987	1988	1987	1988	1987	1988
	First 6 months		First 6 months		First 6 months	
Total Nielsen HBA Index Categories	2%	9%	0%	6%	3%	3%
Total Toiletries	3%	9%	0%	6%	3%	3%
Men's products	6%	7%	2%	1%	4%	6%
Skin care	7%	15%	3%	11%	3%	4%
Hair care	− 2%	9%	−4%	6%	2%	3%
Oral hygiene	5%	13%	−1%	10%	6%	3%
Color cosmetics	3%	11%	1%	8%	3%	3%
Other toiletries	3%	2%	0%	− 1%	3%	3%
Total remedial	2%	10%	−1%	7%	4%	3%
Cold/cough/flu/sinus remedies	2%	7%	−2%	5%	4%	2%
Analgesics/digestive remedies	0%	11%	−3%	7%	4%	4%
External medicines	10%	15%	8%	13%	2%	2%
Paper goods	0%	8%	−2%	6%	2%	2%
Selected sundries	6%	8%	6%	4%	0%	4%

6 months ending June 30
*Weighted by dollar sales importance

Source: Nielsen Marketing Research

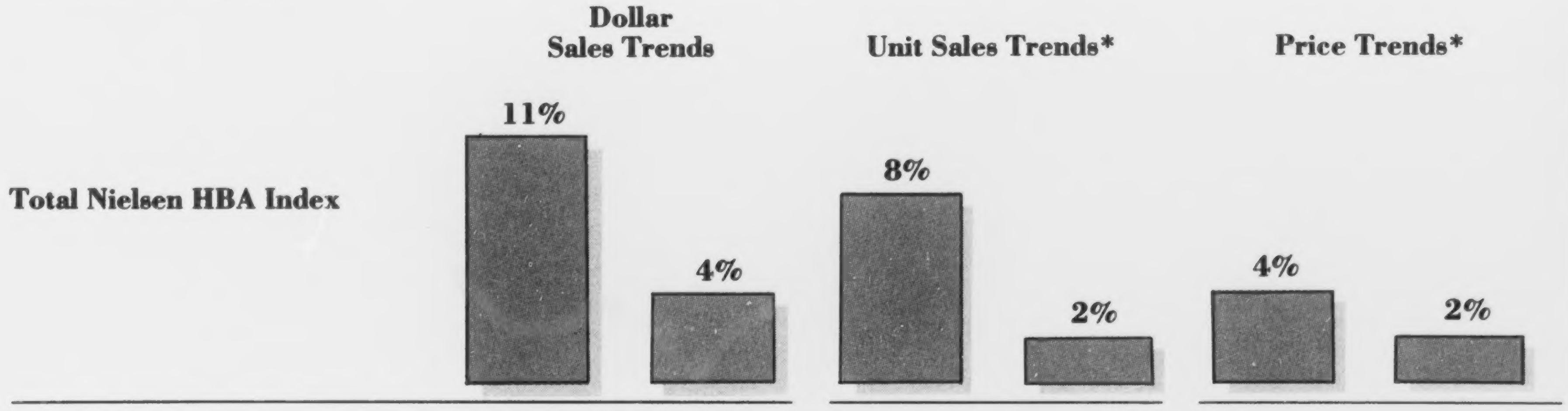
HBA dollar sales in drug stores increased an impressive 9% in the first 6 months of 1988, even real growth, at 6% so far this year, has been excellent.

On a dollar basis, very strong product groups include skin care and external medicines, both averaging 15% increases this year. Several categories within the oral hygiene (+13%) and the analgesic/digestive remedies groups (+11%) have also performed respectfully.

Price increases have held to 3% in most product groups with the exception of men's products where aftershave lotion and cologne product prices are sharply higher.

Chart 10: HBA Sales and Price Trends—Drug Chains vs. Independents

% Change Vs. Year Ago
First 6 months 1988



	Dollar Sales Trends		Unit Sales Trends*		Price Trends*	
	Drug Chains	**Drug Indpts**	**Drug Chains**	**Drug Indpts**	**Drug Chains**	**Drug Indpts**
Total Toiletries	10%	6%	7%	4%	4%	3%
Men's Products	7%	7%	1%	4%	6%	3%
Skin Care	17%	10%	12%	8%	4%	3%
Hair Care	10%	4%	7%	4%	3%	1%
Oral Hygiene	15%	7%	11%	6%	3%	1%
Color Cosmetics	14%	6%	11%	3%	3%	4%
Other Toiletries	2%	3%	− 1%	0%	3%	3%
Total Remedial	14%	3%	10%	1%	4%	2%
Cold/Cough/Flu/Sinus Remedies	11%	− 1%	8%	−3%	3%	2%
Analgesics/Digestive Remedies	14%	3%	9%	1%	5%	2%
External Medicines	18%	8%	15%	7%	3%	1%
Paper Goods	10%	− 1%	7%	−1%	3%	1%
Selected Sundries	8%	11%	3%	6%	4%	4%

6 months ending June 30, 1988 vs. 1987
*Weighted by dollar sales importance

Source: Nielsen Marketing Research

Drug chain dollar sales of the 66 categories in the Nielsen HBA Index increased by 11% during the first part of this year, while independent drug store HBA sales increased at a 4% rate.

Some categories are turning in outstanding performances: skin care, oral hygiene and external medicines are doing well in both chains and independent stores. Analgesics/digestive remedies and color cosmetics product groups are doing well in chain drug stores, as are selected sundries and men's products in independents.

The total dollar volume of the Nielsen HBA Index categories now represents 24.8% of chain drug total sales volume and 12.5% of total independent volume.

A total of 62 of the 66 categories tracked in the Nielsen HBA index registered sales increases during the first half of 1988. This was an increase of 21 categories over those that showed such growth last year.

A total of 14 categories fell in the "very hot" group and 11 categories in the "hotter" group.

Very few categories this year are suffering sales declines.

Chart 11: HBA Sales Whats Hot—Drug Stores
6 months ending June 30, 1988 vs. 1987

VERY HOT
(dollar sales increases
greater than + 15%)

*Baby bath products
*Early pregnancy test kits
*Baby lotion
*Diarrhea remedies
*Mouthwash
*Baby oil
*Diaper rash creams
*Suntan lotions and oils
*Eye markeup
*Sleeping tablets
*Sinus remedies
*Soft contact lens solution
*External analgesics
*Face creams and lotions

HOTTER
(dollar sales increases
over + 10% thru + 15%)

*Pre-moistened towelettes
*Dieting aids
*Hair fixatives
*Laxatives
*Foot remedies
*Face makeup
*Hand and body lotions
*Toothbrushes
*Internal analgesics
*Bath products
*Hair color

HOT
(dollar sales increases
over + 5% thru + 10%)

*Shampoo
*Disposable diapers
*After shampoo
*Throat lozenges
*Feminine douches

HBA Index average

*Topical hydrocortisones
*Acne remedies
*Denture cleaners
*Depilatories
*Dentifrice
*Batteries
*Blades and razors
*Dental floss
*Cough drops
*Eye drops and lotions
*Cold remedies
*Arthritic remedies
*Baby powder
*Stomach remedies/antacid
*Denture adhesives
*Aftershave lotion and cologne
*Hemorrhoid preparations
*Vitamins
*Nasal spray
*Talc/dusting powder
*Sanitary protection
*Deodorants
*Chapped lip preps
*Insect repellents
*Ethnic hair preps

WARM
(dollar sales increases
over + 0% thru 5%)

*Men's hair preps
*Lip makeup
*Home wave kits
*Nail color
*Shaving cream
*Cotton swabs
*Pet flea collars

NOT SO HOT
(no dollar sales
growth or decline)

*Cough syrup
*Women's contraceptives
*Women's fragrances
*Mousse

*indicates category is included in the Nielsen HBA Index

Chart 12: Division of Selected HBA Category Dollar Sales — Drug vs. Food vs. Mass Merchandisers

	First 6 months 1987 Drug	First 6 months 1988 Drug	Food	Mass Merchandisers
Total Nielsen HBA Index Categories	**38.4%**	**39.1%**	**43.7%**	**17.2%**
SELECTED HBA CATEGORIES				
Aftershave lotion/cologne	64.0%	63.8%	17.0%	19.2%
Topical hydrocortisones	62.9%	62.2%	26.9%	10.9%
Color cosmetics	60.1%	61.6%	18.5%	19.9%
Depilatories	57.1%	59.6%	24.7%	15.7%
Foot remedies	59.4%	59.2%	28.4%	12.4%
Laxatives	58.8%	59.1%	28.3%	12.6%
Face creams and lotions	57.3%	58.2%	24.0%	17.8%
Vitamins	57.6%	58.3%	29.0%	12.7%
Ethnic hair preps	60.0%	55.4%	23.3%	21.3%
Suntan lotion and oils	50.1%	54.2%	25.1%	20.7%
Hair color	52.9%	54.0%	20.2%	25.8%
Home wave kits	48.7%	50.1%	20.3%	29.6%
Bath oil	46.8%	46.8%	32.1%	21.1%
Cold remedies	44.9%	44.4%	44.9%	10.7%
Hand and body lotions	44.1%	44.2%	37.1%	18.7%
Stomach remedies/antacid	43.3%	43.1%	43.5%	13.4%
Men's hair preps	37.0%	39.3%	42.4%	18.3%
Feminine douches	39.3%	38.5%	40.4%	21.1%
Sinus remedies	36.7%	37.2%	50.7%	12.1%
Toothbrushes	36.4%	37.0%	45.7%	17.3%
After shampoo	35.8%	36.2%	43.3%	20.5%
Internal analgesics	35.4%	36.0%	51.6%	12.4%
Mousse	33.9%	33.4%	42.4%	24.2%
Shaving creme	31.2%	31.7%	48.3%	20.0%
Baby oil	28.8%	30.8%	43.8%	25.4%
Blades and razors	29.8%	30.6%	50.8%	18.6%
Hair fixatives	29.0%	30.4%	45.2%	24.4%
Mouthwash	28.6%	29.3%	51.7%	19.0%
Shampoo	27.3%	28.6%	51.0%	20.4%
Deodorants	27.7%	27.6%	50.6%	21.8%
Sanitary protection	24.5%	25.6%	58.5%	15.9%
Cotton swabs	25.4%	25.2%	53.8%	21.0%
Dentifrice	22.2%	22.6%	59.6%	17.8%
Pre-moistened towelettes	15.0%	16.1%	61.7%	22.2%
Disposable diapers	9.6%	10.3%	75.7%	14.0%

*6 months ending June 30

Source: Nielsen Marketing Research

For the first half of 1988, very strong consumer sales have helped drug stores increase their share of sales of Nielsen HBA Index categories to 39.1%. Drug stores share of sales are increasing in 24 out of 35 selected categories, a record number.

What happened to the two top "most-likely-to-be-bought-at-drug stores" categories? Aftershave lotion/cologne and topical hydrocortisones are first and second respectively in the share of sales in drug stores, both lost share as drug store prices rose faster than in competitive outlets.

Food stores accounted for 50% or more of sales in 11 categories while drug stores held 50% or more in 12 categories.

Food stores dominate the disposable diaper market by a wide margin, controlling 75.7% of sales.

Mass merchandisers share of HBA sales is holding steady this year after a sharp increase between 1986 and 1987.

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CHAPTER IV:

HBA Inventory Trends

Chart 13: HBA Inventory Trends Drug vs. Food vs. Mass Merchandisers

% Change Vs. Year Ago
Nielsen HBA Index Categories

	Inventory level trends*		Inventory rate of turn average annual turns		Inventory rate of turn % change vs. year ago*	
	1987 First 6 months	1988	1987 First 6 months	1988	1987 First 6 months	1988
Three outlets combined	1%	1%	7.3 turns	7.4 turns	1%	1%
Drug stores	0%	1%	4.5	4.8	0%	7%
Food stores	2%	1%	10.5	10.3	0%	-2%
Mass Merchandisers	3%	0%	7.7	8.3	11%	8%

6 months ending June 30
*Weighted by dollar importance

Source: Nielsen Marketing Research

HBA inventory levels for the three outlets combined have increased only 1% this year. Drug and food store inventory levels are up by 1%; and mass merchandisers inventory levels are unchanged.

Drug store operators, achieving an average turn rate of 4.8 times per year have increased inventory efficiency by another 7%. Food stores maintain the highest turn rate at 10.3 times per year, but this is slightly less efficient than last year.

Chart 14: HBA Inventory Trends—Drug Stores

% Change vs. Year Ago

	Inventory level trends*		Inventory rate of turn average annual turns		Inventory rate of turn % change vs. year ago*	
	1987 First 6 months	1988	1987 First 6 months	1988	1987 First 6 months	1988
Total Nielsen HBA Index categories	0%	1%	4.5 turns	4.8 turns	0%	6%
Total toiletries	-1%	0%	3.9	4.1	1%	7%
Men's products	0%	-6%	4.2	4.6	2%	8%
Skin care	0%	5%	4.1	4.3	3%	6%
Hair care	-3%	-1%	4.2	4.5	0%	7%
Oral Hygiene	-5%	3%	5.1	5.5	5%	8%
Color cosmetics	5%	2%	2.2	2.3	-4%	6%
Other toiletries	-1%	-4%	3.8	3.9	0%	4%
Total remedial	0%	1%	5.0	5.3	-1%	6%
Cold/cough/flu/sinus remedies	-4%	2%	5.2	5.3	2%	2%
Analgesics/digestive remedies	0%	-2%	4.8	5.3	-3%	9%
External medicines	6%	10%	5.3	5.4	2%	3%
Paper goods	-2%	1%	6.5	6.8	0%	5%
Selected sundries	5%	5%	5.4	5.3	1%	-1%

6 months ending June 30
*Weighted by dollar sales importance

Source: Nielsen Marketing Research

Drug stores are managing inventory levels tightly this year permitting only a slight overall increase. On top of sharp sales increases, turn rates have increased 6% to 4.9 turns per year.

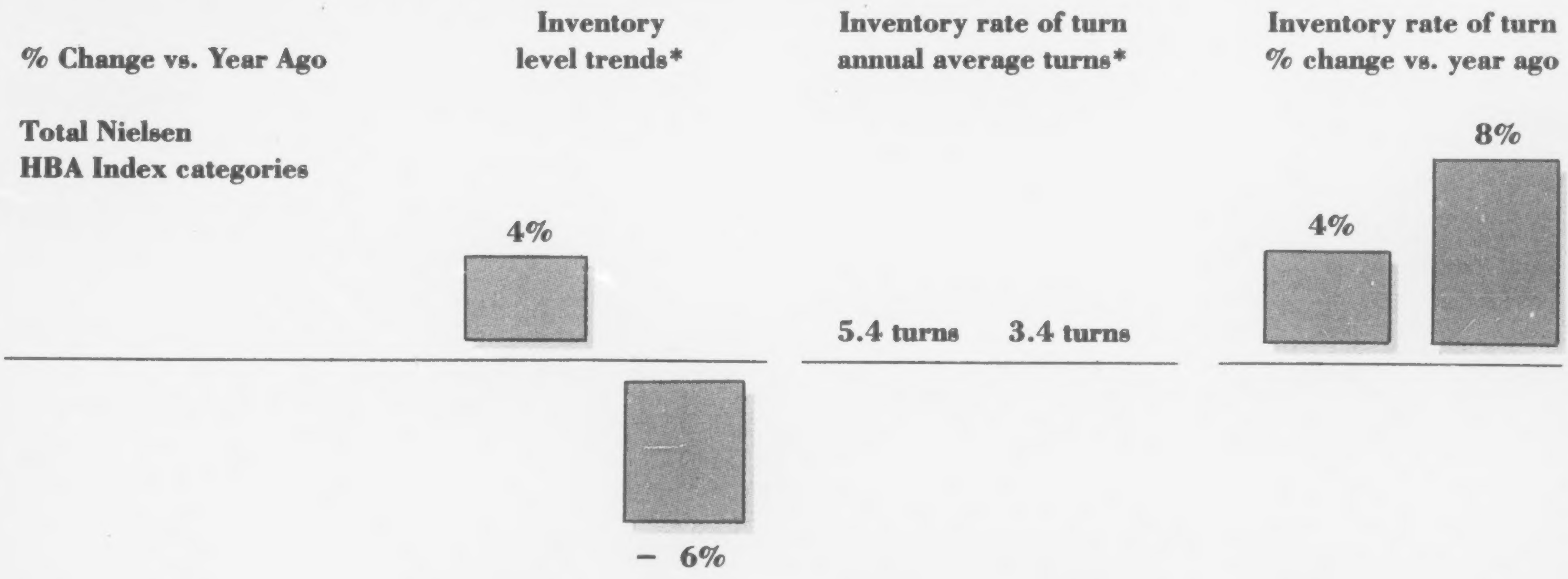
Turn rates for toiletries increased 7%, with men's products oral hygiene categories improving by 8%. The inventory turn rates for analgesic/digestive remedies increased by 9%.

The selected sundries group, particularly batteries, is the only product group with a decline in turn rates this year: (-1%)

Independent drug store retailers continue to do an outstanding job improving inventory efficiency: a 6% reduction of inventory levels with an 8% increase in inventory turnover.

Drug chains increased store level inventory by 4% but this increase was more than offset by sales increases. Turnover has improved by 4% this year in chain drug outlets.

Chart 15: HBA Inventory Trends—Drug Chains vs. Independents



	Inventory level trends*		Inventory rate of turn annual average turns*		Inventory rate of turn % change vs. year ago	
	Drug Chains	Drug Indpts	Drug Chains	Drug Indpts	Drug Chains	Drug Indpts
Total toiletries	2%	– 5%	4.6 turns	2.7 turns	5%	9%
Men's products	– 5%	– 7%	5.3	2.7	7%	11%
Skin care	8%	– 3%	4.9	2.9	4%	10%
Hair care	0%	– 4%	4.9	3.1	7%	8%
Oral Hygiene	4%	– 2%	6.0	3.8	7%	7%
Color cosmetics	6%	– 5%	2.7	1.5	5%	8%
Other toiletries	– 3%	– 8%	4.5	2.4	2%	9%
Total remedial	6%	– 7%	6.0	4.1	4%	8%
Cold/cough/flu/sinus remedies	11%	–10%	6.0	4.2	–3%	8%
Analgesics/digestive remedies	1%	– 7%	6.0	4.0	8%	10%
External medicines	14%	2%	6.2	3.9	2%	4%
Paper goods	3%	– 7%	7.4	4.1	4%	4%
Selected sundries	6%	– 1%	5.6	4.1	–3%	8%

6 months ending June 30, 1988 vs. 1987
*Weighted by dollar sales importance

Source: Nielsen Marketing Research

CHAPTER V:

Space Allocation

Chart 16: HBA Average Linear Feet of Shelf Space—By store type

	Drug Chains		Drug Large Independents		Food Chains Over $2 million		Mass Merchandisers	
	1987	1988	1987	1988	1987	1988	1987	1988
Selected Toiletries and Personal Care								
After shave lotion/cologne	31 ft.	29 ft.	19 ft.	20 ft.	8 ft.	8 ft.	20 ft.	21 ft.
Dentrifice	59	57	20	24	48	44	58	64
Denture adhesive/cleanser	23	23	14	13	11	10	21	23
Deodorants	67	67	28	30	49	46	103	103
Face creams and lotions	27	23	14	15	11	9	21	20
Hair coloring	72	70	24	27	20	21	75	77
Hair fixitives	45	56	14	26	24	32	61	78
Hair preparations	70	62	28	29	36	35	73	74
Hand lotions and creams	30	31	18	20	15	16	35	35
Home wave kits	16	15	8	7	6	5	21	23
Mouthwash	31	31	11	12	19	19	47	47
Shampoos	69	63	28	30	44	43	87	87
Shaving cream	23	20	9	10	12	12	27	28
Selected Remedial Categories								
Acne remedies	18	17	14	13	8	8	15	14
Stomach remedies/antacids	36	37	24	25	15	16	37	34
Chest rubs	7	7	5	6	3	2	4	4
Cold and sinus remedies	47	52	30	34	22	24	34	36
Cough syrups	19	20	12	14	8	8	13	13
Internal Analgesics	59	63	33	38	31	33	51	51
Laxatives	38	36	26	28	11	11	23	24
Nasal sprays and drops	10	10	7	8	5	5	7	8
Vitamins	90	85	54	58	36	37	91	81
Selected Paper Products								
Disposable diapers	49	55	13	13	60	61	58	52
Sanitary napkins	57	61	23	24	43	41	75	67
Tampons	20	24	10	11	14	15	21	22

End of April basis for space allocation
NA = Not available

Source: Nielsen Marketing Research

A total of 9 of the 25 selected HBA categories surveyed in chain drug stores were allotted more shelf space than they had in 1987. Of these 9, hair fixatives was the biggest gainer with an additional 9 feet of shelf space. Paper products categories and cold and sinus remedies also got healthy space increases.

While 9 product categories went up, 11 selected categories were allocated less shelf space in chain drug outlets including hair preparations, vitamins and shampoos.

Independent drug stores gave additional space to 21 of 25 categories. Hair fixatives gained the most of any category. Only 3 categories lost shelf space, with each only losing 1 foot.

9 HBA categories received additional shelf space from chain food stores while mass merchandisers increased the shelf space of 13 categories.

Chart 17: HBA Average Dollar Sales Per Month Per Linear Foot Of Space—By store type

	Drug Chains		Drug Large Independents		Food Chains Over $2 million		Mass Merchandisers	
	1987	1988	1987	1988	1987	1988	1987	1988
Selected Toiletries and Personal Care								
Dentifrice	$18.77	$19.56	$11.38	$9.76	$44.96	$56.07	$45.26	$43.25
Denture adhesives/cleansers	19.78	19.36	8.54	9.12	34.92	43.77	25.73	33.05
Deodorants	25.37	25.54	12.20	12.06	46.23	54.56	37.58	38.95
Face creams and lotions	39.39	47.88	22.53	22.55	36.05	49.55	54.88	55.62
Hair coloring	17.47	19.04	9.68	8.86	22.34	25.12	24.88	23.80
Hair sprays	17.16	19.39	12.36	9.39	35.74	38.90	35.20	33.00
Hand and body lotions	27.22	27.75	15.96	14.73	38.30	42.39	32.66	35.82
Home wave kits	19.37	19.48	8.46	8.58	18.36	23.05	26.90	22.76
Mouthwash	20.75	24.30	15.70	15.60	48.60	62.66	28.37	33.77
Shaving Cream	12.59	13.87	8.45	7.57	26.52	29.09	21.99	20.40
Shampoos	21.98	24.56	14.62	13.76	49.65	56.59	41.90	41.77
Selected Remedial Products								
Acne Remedies	19.17	21.25	9.18	10.18	31.98	39.25	NA	NA
Stomach remedies/antacids	28.52	28.36	18.51	18.25	50.91	55.47	32.68	36.98
Internal analgesics	44.14	44.14	28.93	26.10	93.67	101.51	62.49	68.58
Laxatives	29.48	33.68	20.20	20.42	45.92	53.15	38.15	41.99
Nasal sprays and drops	31.84	33.21	20.11	18.27	48.92	54.95	36.25	31.07
Vitamins	19.95	20.92	15.50	14.00	26.39	28.24	18.33	17.89
Selected Paper Products								
Disposable diapers	27.12	24.64	15.54	13.39	113.67	122.29	92.99	107.69
Sanitary protection	21.75	19.92	12.55	12.44	50.95	55.53	32.89	38.16

Year ending April 30 for sales
NA = Not Available

Source: Nielsen Marketing Research Survey

Face creams and lotions jumped up more than $8.00 per linear foot per month to become the highest selling category of the 19 measured categories in chain drug stores. Both reduced space allocation and strong sales pushed the category to sales of $47.88 per foot per month.

In chain drug stores, face creams and lotions replaced internal analgesics as the top seller. In drug independents, internal analgesics stayed as the top selling category at $26.10 per linear foot.

Disposable diapers are still the top selling HBA category of the 19 examined in both large chain grocery stores and mass merchandisers. In grocery stores at $122.99 and in mass merchandisers at $107.69 per linear foot per month, this category is far ahead of others.

In food chains, internal analgesics became the second product category to break the $100 per foot per month level. Sales averaged $101.51 in food chains, up 9% over last year.

CHAPTER VI:

Drug Store Merchandising

Chart 18: Drug Store Merchandising/Operation Strategies—Drug Chains

All commodity volume basis—End of February 1988
By Nielsen Territory

	Total U.S. 1987	Total U.S. 1988	New England 1988	Metro New York	Middle Atlantic	East Central	Metro Chicago	West Central	South-East	South-West	Metro L.A.	Pacific
Open 24 hours	5%	**7%**	0%	0%	9%	12%	21%	15%	7%	0%	0%	4%
Pharmacy computer system	71	**86**	80	64	64	94	99	62	87	99	93	94
Cosmetician	34	**30**	33	27	18	24	80	46	27	48	25	20
Pre-recorded video tapes	14	**13**	21	0	20	11	37	15	12	16	0	9
Film developing	98	**98**	100	78	98	100	99	96	99	95	100	99
Lottery tickets sold	27	**29**	12	20	20	16	16	31	38	4	86	33
Alcoholic beverages sold												
Any	56	**64**	15	6	34	70	90	60	68	62	85	90
Liquor	30	**32**	2	0	0	31	90	52	6	22	85	62
Beer	55	**63**	15	6	34	69	90	60	68	62	85	86
Wine	46	**53**	7	0	10	67	90	52	41	54	85	86

Source: Nielsen Marketing Research

The most popular "extra" in drug chains across the country is film processing, 98% of all drug chains offer film processing to their customers. Penetration of the service is virtually complete in all areas of the country except New York.

At the same time, pharmacy computerization is rapidly becoming an essential in drug chains, 86% of all chains now have pharmacy computers, up from 71% last year. In the Nielsen East Central, Metro Chicago, Southwest, Metro L.A., and Pacific regions, over 90% of all drug chains have pharmacy computer systems.

Alcoholic beverages are now sold in 64% of all chain drug stores and are especially prominent in the Metro Chicago, Metro L.A. and Pacific regions.

Being open 24 hours is offered in only 7% of drug chains in the U.S. Metro Chicago, West Central and the East Central are the only regions in which this extra is in more than 10% of the stores.

Other merchandising strategies that are popular in specific areas of the country include: cosmetician services (80% of Chicago area chains); lottery tickets (80% of Metro L.A. chains) and prerecorded video tapes (popular in New England and Chicago).

CHAPTER VII:

Retailer Advertising

Advertising space allocated to institutional promotion once again held the highest share of drug store advertising, jumping from 16% of space to 22% in 1987. HBA personal care product advertising moved to 16% of space, a 2 point increase.

Less drug retail ad space was devoted to miscellaneous general merchandise.

Chart 19: Retailer Advertising Space Trend—All Drug Stores

Percent Of Ad Space Devoted To:

Total ad space	**100%**	**100%**	**100%**	**100%**
Cosmetics	4%	6%	6%	6%
Pharmacy	1%	*	1%	*
HBA—personal care	14%	12%	14%	16%
HBA—health	7%	8%	8%	7%
Liquor	4%	4%	4%	4%
Food products	8%	7%	7%	7%
Institutional	13%	15%	16%	22%
Household supplies	5%	4%	4%	4%
Automotive	1%	2%	1%	1%
Home electronics	10%	9%	8%	7%
Soft goods	3%	5%	3%	3%
Miscellaneous general merchandise	30%	28%	28%	23%
	1984	**1985**	**1986**	**1987**

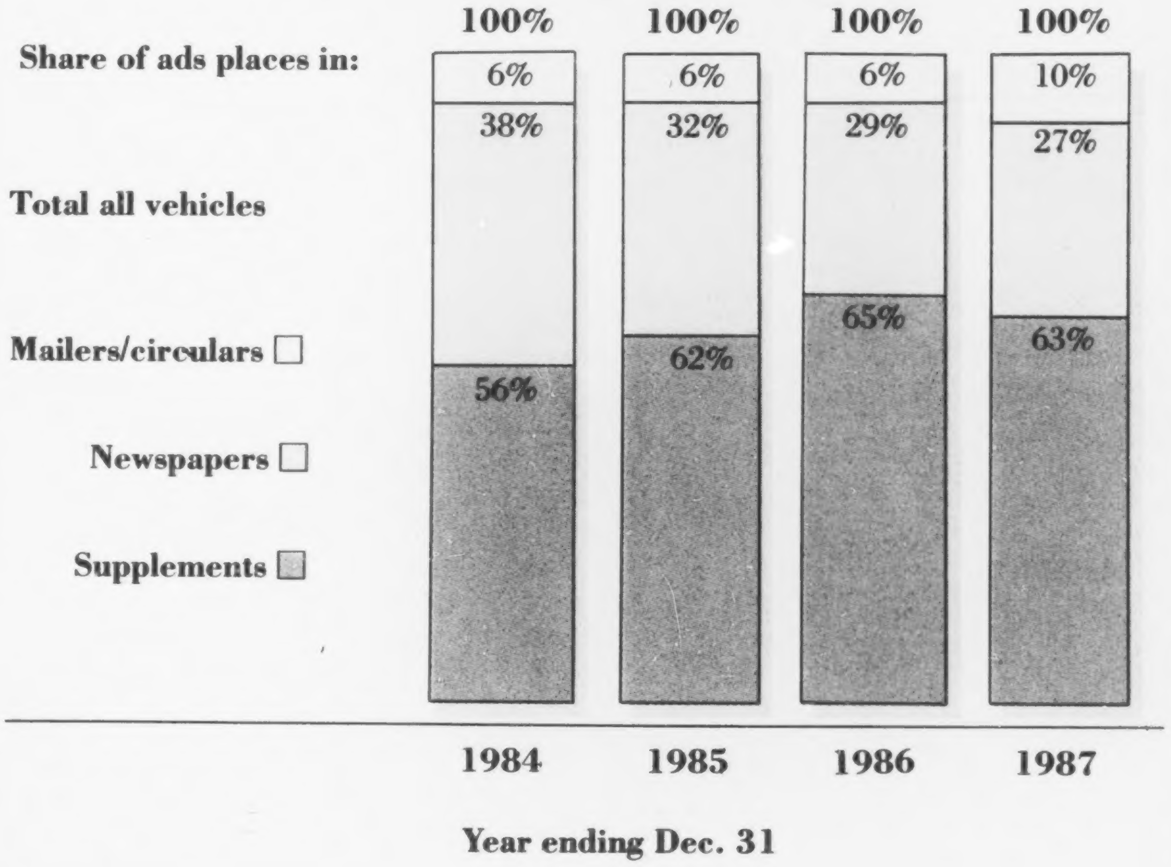
Year ending Dec. 31

*indicates less than .5%

24 markets—seven day coverage

Source: Nielsen Marketing Research

Chart 20: Share Of Ads By Medium—All Drug Stores



*indicates less than 1%

24 categories/24 markets—seven day coverage

Source: Nielsen Marketing Research

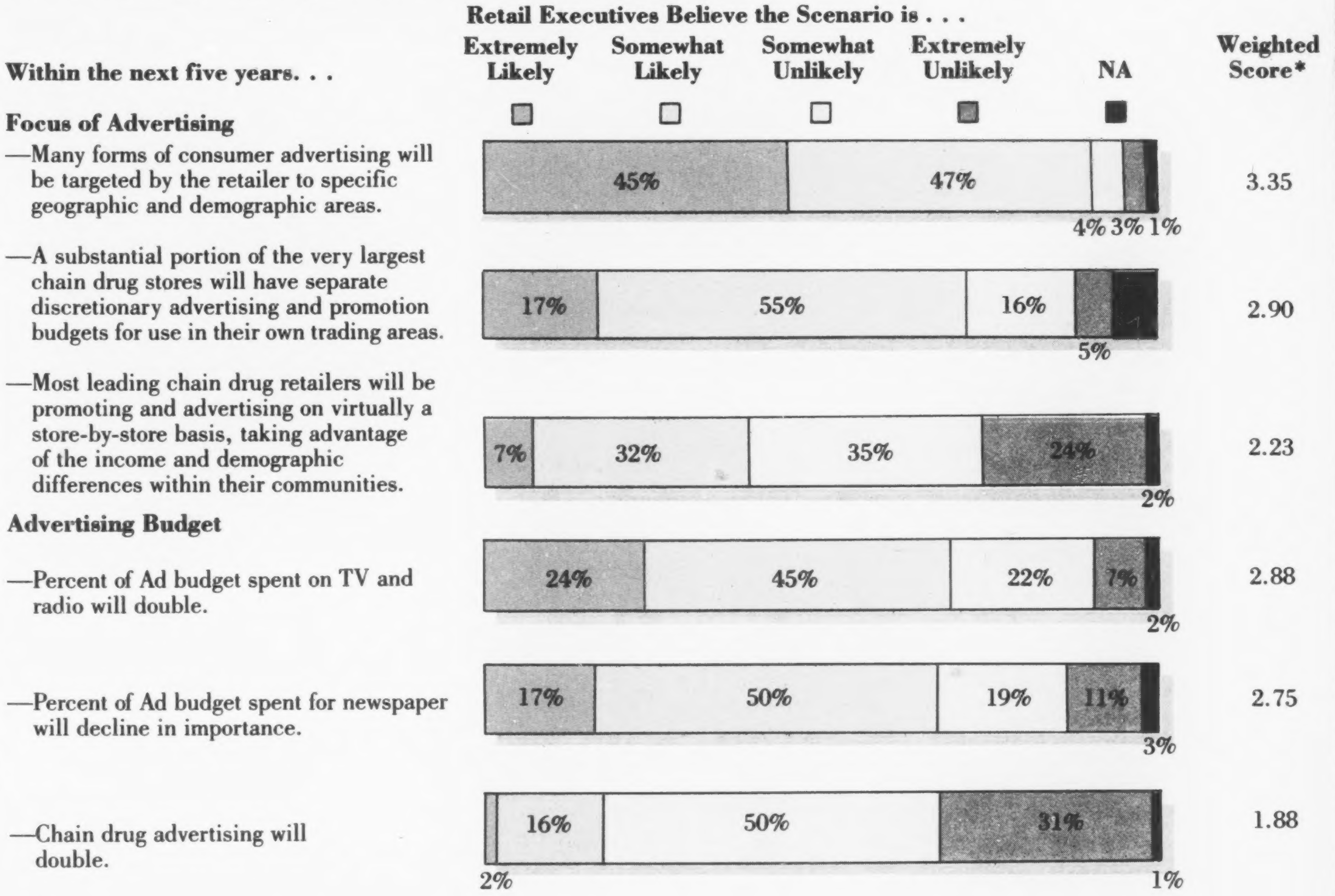
Drug retailers devoted a greater portion of advertising expenditures to mailers and circulars in 1987.

Supplements and newspapers paid the price as both dropped 2 share points. Newspaper advertising, which has been declining since 1983, is down to 27%. Supplements, the traditional advertising medium of choice for drug retailers, dropped to a 63% share.

Chapter VIII:

Executive Outlook

Chart 21: Advertising Allocation—Chain Drug Stores



*Weighted Score in favor of likelihood; therefore, the higher the score above 2.50 the more likely it is to occur
Source: 1988 SUMMA Group Retail Chain Drugstore Executive Outlook Survey

The trend toward highly focused communications targeted to geographically and demographically selected consumers will be the driving force behind chain drug advertising efforts over the next five years, according to the findings of the 1988 SUMMA Group chain drug store executive survey.

While most retailers feel a doubling of advertising expenditures is unlikely, almost 1 out of 5 chain drug store executives think their budget will double in the next five years.

Three quarters of the executives interviewed by the SUMMA Group, a part of Nielsen Marketing Research, felt that the very largest chain drug stores will have separate discretionary advertising and promotion budgets for use in their own trading areas.

Almost 4 out of 10 feel it is likely that more leading chain drug retailers will take advantage of the income and demographic differences within their communities by promoting and advertising on virtually a store-by-store basis.

Expenditures on electronic media will consume a greater proportion of the advertising budget over the next five years.

In particular, many retailers indicate the expectation that their use of cable TV will be greatly expanded to accommodate the communication of weekly features.

Based on the expectation of key executives, the use of circulars, mailers and in-store flyers will be relatively unchanged over the next five years.

Although newspaper advertising will continue to be the dominant advertising medium, there will be a continued trend away from run-of-press advertising. This will favor newspapers capable of delivering inserts and supplements, particularly full-color ROTOS.

Chart 22: Advertising Budget — Chain Drug Stores

	Total Advertising Budget Allocation		
	Currently	In the Next 5 years	Share Point Change
Total	**100.0%**	**100.0%**	—
Run-of-press newspaper	26.6	18.7	−7.9
Full-color Roto Supplements	13.8	16.3	2.5
Non-roto supplements/inserts	7.4	7.1	−0.3
Circulars	23.2	22.6	−0.6
Mailers	9.7	8.3	−1.4
In-store flyers	3.0	3.2	0.2
TV spot network	7.5	10.6	3.1
Radio	6.0	8.0	2.0
Cable TV	0.5	3.0	2.5
Other Media	2.3	2.2	−0.1

Source: 1988 SUMMA Group Retail Chain Drugstore Executive Outlook Survey

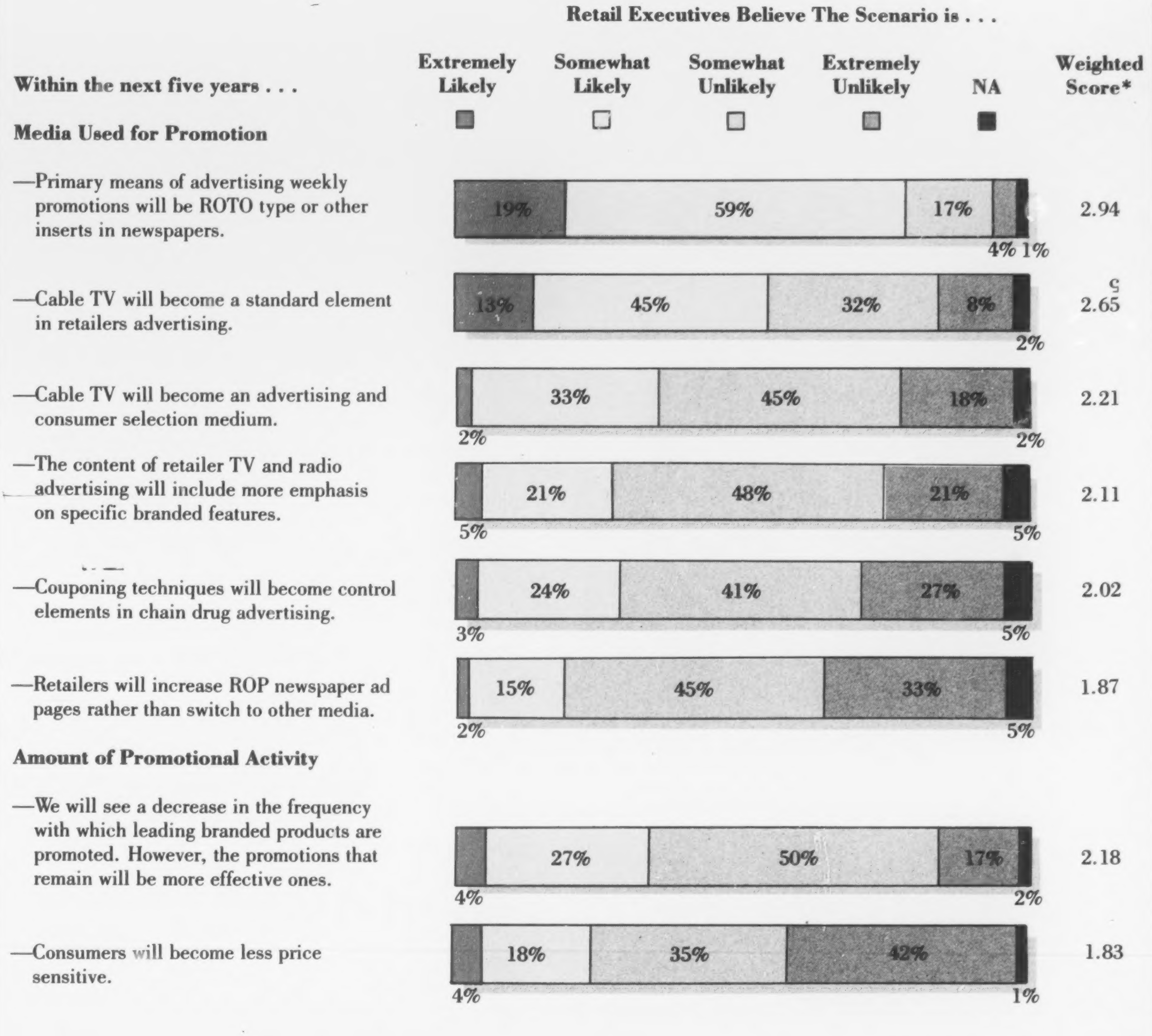
It is apparent that executives anticipate sharp increases in the relative use of all forms of the electronic media, with cable TV up 2.5 points, regular spots/network TV up 3.1 points, and radio up 2.0 points as a share of total advertising budget allocations.

The trend away from the use of run-of-press newspaper advertising 34% in 1983, 27% in 1985, and 27% today will continue over the next five years when it is expected to represent only 19% of the chain drug store's, advertising budget. The proportion of newspaper advertising devoted to full color ROTO supplements is expected to increase.

Overall use of circulars, mailers and in-store flyers is expected to be off 1.8 points (a marginal 5% decline).

Executives feel the use of mailers specifically will become somewhat less common.

Chart 23: Media Usage/Promotional Activity — Chain Drug Stores



***Weighted Score in favor of likelihood: therefore, the higher the score above 2.50 the more likely it is to occur**

Source: 1988 SUMMA Group Retail Chain Drugstore Executive Outlook Survey

Chain drug retailers have come to rely heavily on various forms of promotions, and indications are that promotions will not go away, but they may change, becoming highly targeted and used far more judiciously.

The majority of chain drug executives expect that ROTO's and other types of supplements or inserts in newspapers will be the primary means of advertising weekly promotions in the next five years. One half of all chain drug executives feel cable TV will become a standard element in retail chain drug advertising.

Chart 24: Technology and Services — Chain Drug Stores

Within the next five years . . .

Store Operation

—Drug chains will have made major progress installing UPC scanner check-out systems virtually equalling major food chains in percent utilization.

—While today less than 5% of chain drug purchases are made on a non-cash basis, most leading drug chains will allow for credit card or charge transactions which will represent over 10% of volume.

—Virtually all of the leading chain drug retailers will be using direct product profit (DPP) analytical technology to determine distribution and merchandising policies.

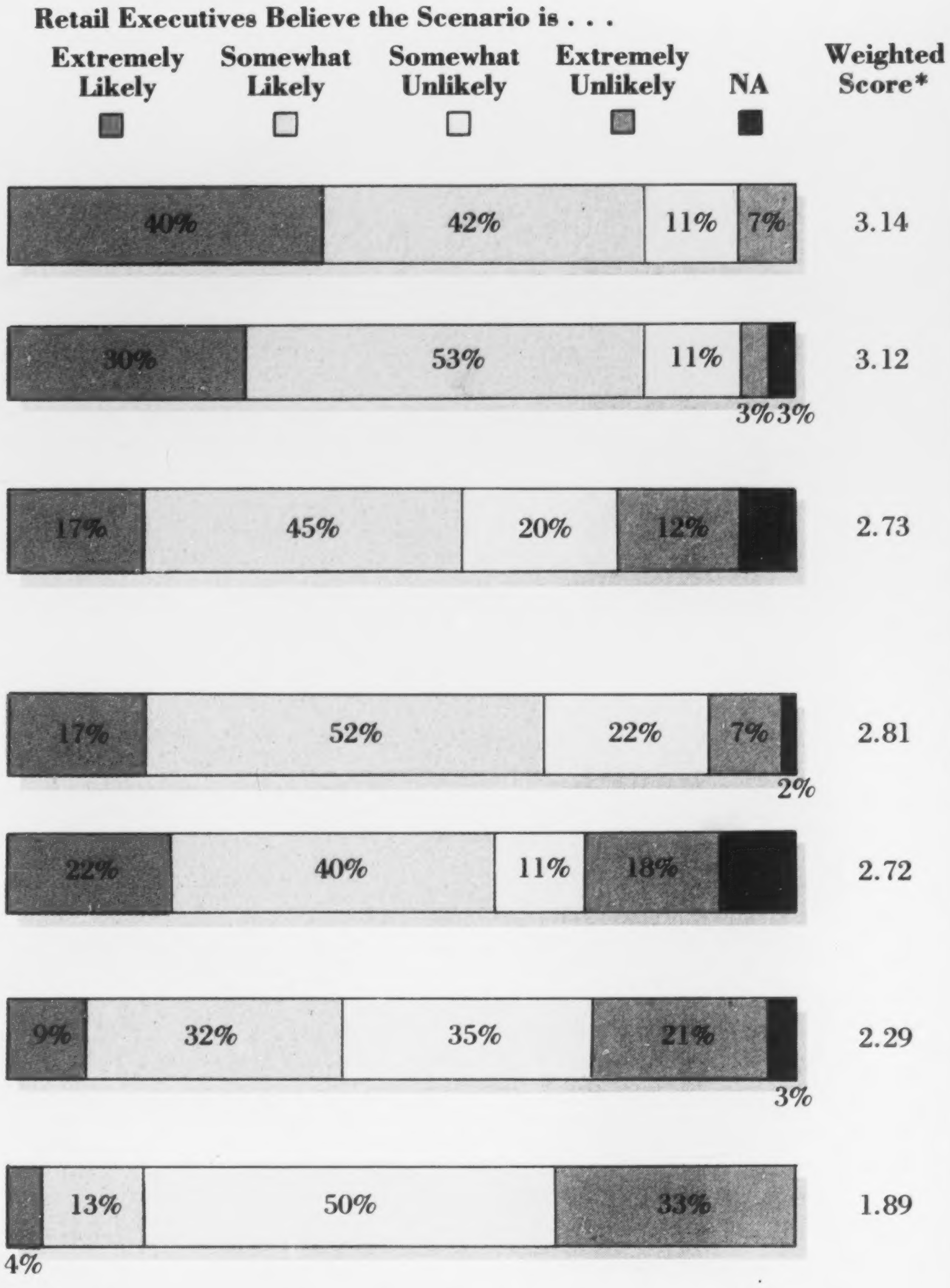
Products and Services Carried

—Food and beverage items which represent up to 5 percent of total sales in Drug Chains today will increase to 10 percent over the next 5 years.

—The most successful drug chains will be those who create an attractive shopping environment incorporating such services as video rental optical and dental services.

—Today, within chain drug stores, general merchandise categories represent approximately one-third of total sales. Within the next 5 years, this proportion will increase substantially.

—There will be fewer branded items due to efforts on the part of retail management to limit distribution to fewer national brands, plus private label.



*Weighted Score in favor of likelihood; therefore, the higher the score above 2.50 the more likely it is to occur
Source: 1988 SUMMA Group Retail Chain Drugstore Executive Outlook Survey

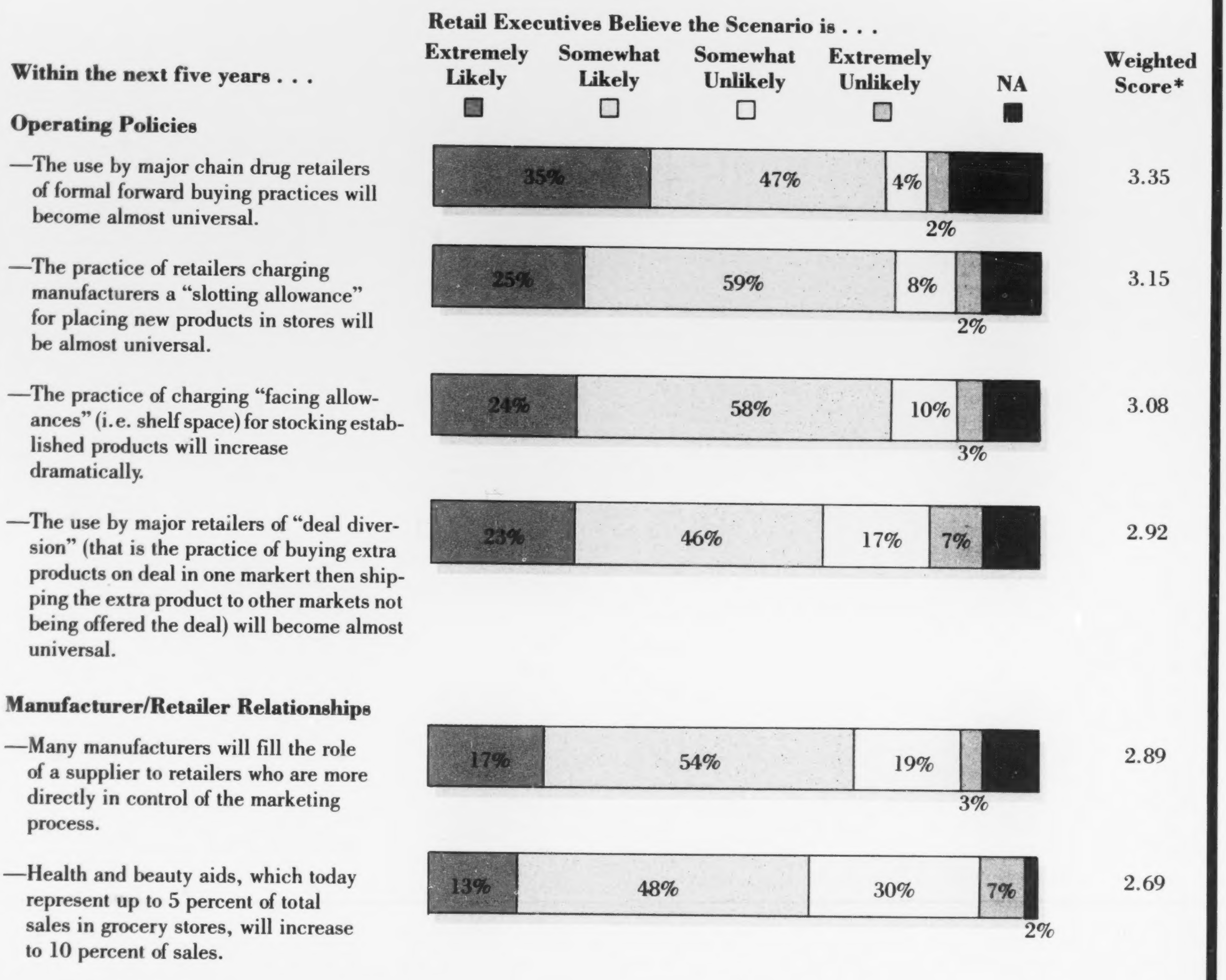
Drug chains are rapidly joining the retail movement toward greater use of technology in the determination of product distribution and merchandising.

More than 8 out of 10 key executives feel that their utilization of UPC scanner check-out systems will equal that in major food chains in five years. A majority expect to see the use of direct product profit (DPP) in drug chains to determine distribution and merchandising policies.

More than 6 out of 10 executives feel that the ability to more precisely identify the contribution made to sales by various typical chain drug products will enable them to weed out those that are less profitable and shift their attention to key items in food and beverages. Drug store retailers expect that sales volume in these categories will double in the next five years.

Executives will attempt to expand the services offered by their chains to make their shopping environment more attractive to customers. The services most often cited for expansion include video rental, optical services and dental services.

Chart 25: Operating/Buying Policies—Chain Drug Stores



*Weighted Score in favor of likelihood; therefore, the higher the score above 2.50 the more likely it is to occur.
Source: 1988 SUMMA Group Retail Chain Drugstore Executive Outlook Survey

The availability of better data through the use of scanners and DPP technology will lead to greater sophistication on the part of chain drug retailers. The ability to determine more precisely the value of space and the contribution of profit by specific products will place retailers in a stronger position viz a viz the manufacturers.

A clear majority of chain drug executives feel the practice of formalized forward buying will be almost universal with major chains within five years.

Knowing the value of space within their own stores is expected to place a premium on the access to that space.

More than 8 out of 10 chain drug retailers feel the practice of charging "slotting allowances" to manufacturers for the use of space for new products will increase. A similar percent expect that charges for space for existing products (i.e., facing allowances) is a likely scenario in the next five years.

For this year's survey, the SUMMA Group mailed out 336 questionnaires. There were 114 responses (a response rate of 34%). Those who responded represented 50% of total chain drug store revenues.

New Sacramento Price Less opens

Price Less DRUG STORES

Price Less is opening its second deep discount store, which will have pharmacy at the rear of its layout.

CARMICHAEL, Calif. — Four years after opening his first Price Less unit in nearby Rancho Cordova, chain drug veteran George Jeffers brought his concept of friendly, full-service off-price retailing to a second location in early October.

Both units serve the greater Sacramento market, but the second store lies several miles closer to the city limits and draws on a denser population base.

"In the older store, we've got 220,000 people in a five-mile radius to the store," Jeffers said, "but in the new location we're drawing on a five-mile population of about 320,000. Carmichael is not a high-growth population area like Rancho Cordova, but we'll look forward to growing our sales volume there through word of mouth and our merchandising techniques."

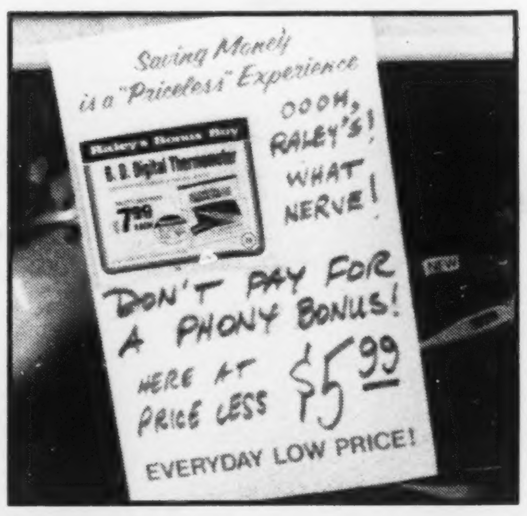
Those techniques have been enough to more than double annual sales at the original Price Less store since 1985, when it notched $4 million in sales at the end of its first full year. With sales booming ahead 17.5 percent this year, Jeffers expects revenues this year to hit $9.3 million.

The second Price Less unit will feature the same steep discounts on prescription and OTC drugs, H&BA, stationery, cosmetics, candy, paper and household goods and appliances, in a larger setting.

The new store is 25,000 square feet (20,000 selling) compared with 16,000 square feet of selling floor for the first store. That, combined with the sales strategies Jeffers and his staff have honed in four years of business and Carmichael's denser customer base, should be enough to power sales to $5 million at the new location its first year, the Price Less founder said.

The added space will be devoted to "some categories we didn't give enough space to in the first store that have done much better than we expected," Jeffers said.

Among them: professional hair care, which will be given more than its 20 feet of shelf space in the first Price Less; hair care accessories from Goody and Vidal Sassoon, which will go from 24 to 32 linear feet; personal care and household appliances, which will attain their own permanent section; general housewares/storage, which will get a 12-foot, in-line section compared with endcaps in the original unit; and underwear/hosiery from Fruit of the Loom, Hanes and No Nonsense.


Saving Money is a "Priceless" Experience
OOOH, RALEY'S! WHAT NERVE!
Raley's Bonus Buy
DON'T PAY FOR A PHONY BONUS!
HERE AT PRICE LESS $5.99
EVERYDAY LOW PRICE!

Shoppers respond to the sense of humor evident in Price Less shelf signs.

The new unit will also feature a more traditional format, with the pharmacy in the rear. At the Rancho Cordova store, Price Less generates 1,600 scripts a week. *—J. F.*

[redacted]

A sampler of items deep discounters emphasized in their June ads

Brand	Model	Advertised price	Chain
Benadryl	Tabs/caps 24s	$2.85	Drug Emporium
Sylvania	3-way bulbs	1.37	Drug Emporium
Alpha Keri	3.7 oz. moisturizer	3.75	Drug Emporium
Polident	120 ct tabs	3.99	Drug Emporium
Clairol Condition	6 oz. mousse	4/5.00	Drug Emporium
Gillette	Good news/Daisy razors 10 ct	1.99	Drug Emporium
Alka Seltzer Extra Strength	12	1.69	Drug Mart
Charmin Bath Tissue	6-roll pack	1.69	Drug Mart
Milky Way	6 bars	1.99	Drug Mart
Diet Pepsi	2 liter	0.97	Drug Mart
Metamucil	14 oz.	5.99	Drug Mart
Lady Trojan	12 ct	2.69	Drug Mart
J&J Bandages	60 ct	0.90	Phar-Mor
Fibre Trim	18 ct	6.38	Phar-Mor
Philips Longer Life Bulbs	4 pk	1.99	Phar-Mor
Neutrogena Bath Soap	3.5 oz.	1.38	Phar-Mor
Mennen Baby Magic Baby Oil	9 oz.	1.94	Phar-Mor
Glad-Lock Storage Bags	20 ct	1.58	Phar-Mor

Source: Vereen & Associates

A sampler of items deep discounters emphasized in their July ads

Brand	Model	Advertised price	Chain
Coppertone Suntan Lotion	4 oz.	$2.99	Bud's
Crest Toothpaste	6.4 oz.	1.37	Bud's
Duracell Batteries	2 pk-C or D	1.63	Bud's
Eveready Batteries	2 pk-C or D	1.69	Bud's
Mennen Lady Speed Stick	1.5 oz.	1.39	Bud's
Yes Laundry Detergent	64 oz.	1.89	Bud's
Advil	100 ct	5.59	Drug Mart
Anacin	100 ct	3.99	Drug Mart
Listerine	32 oz.	3.29	Drug Mart
Rolaids	150 ct	2.57	Drug Mart
Theragran-M	160 ct	6.99	Drug Mart
Wonder Hot Dog Rolls	1 pk	0.85	Drug Mart
Jergens Lotion	12.5 oz.	1.99	Drug Emporium
Flame Glow Mascara		2.02	Drug Emporium
No Nonsense	Sheer & Silky	2.99	Drug Emporium
Mylanta II	12 oz.	2.98	Drug Emporium
Freeman Therapy Shampoo	16 oz.	2.44	Drug Emporium
Summer's Eve Feminine Wash	8 oz.	1.89	Drug Emporium
Bic Razor	10 ct	0.89	Thrif D
Centrum Vitamins	130 ct	7.49	Thrif D
Efferdent	40 ct	1.59	Thrif D
Rolaids	Reg./spearmint 75 ct	1.39	Thrif D
Scope	Peppermint/Reg. Mint 24 oz.	2.69	Thrif D
WD-40	9 oz.	1.49	Thrif D

Source: Vereen & Associates

Melville's muscle powers growth of Freddy's chain

ROCHESTER, N.Y. — Freddy's, the off-price weapon in Melville Corp.'s retail arsenal, is drawing on Melville's financial muscle to boost its market penetration in upstate New York, central and southern Virginia, and Florida.

The deep discount drug chain has added six stores in the past year to boost its store count to 18 units, and will open "a number" of stores next year, according to chain president and founder Fred Silverstein. The first of those will be a Freddy's in Florida's Dade County next February, he said.

Freddy's now operates six units in the upstate New York cities of Rochester, Buffalo, Syracuse and Niagara Falls; nine units in Florida, including five in Broward County, three in the Tampa/Clearwater area and one in Orlando; and three units in Virginia.

Although Silverstein would not discuss specific expansion objectives, he said the financial backing of its parent company has enabled Freddy's to accelerate its growth. The off price chain came under Melville's corporate wing five years ago, but operates completely independently of the holding company's CVS chain drug division, Silverstein told *Drug Store News*.

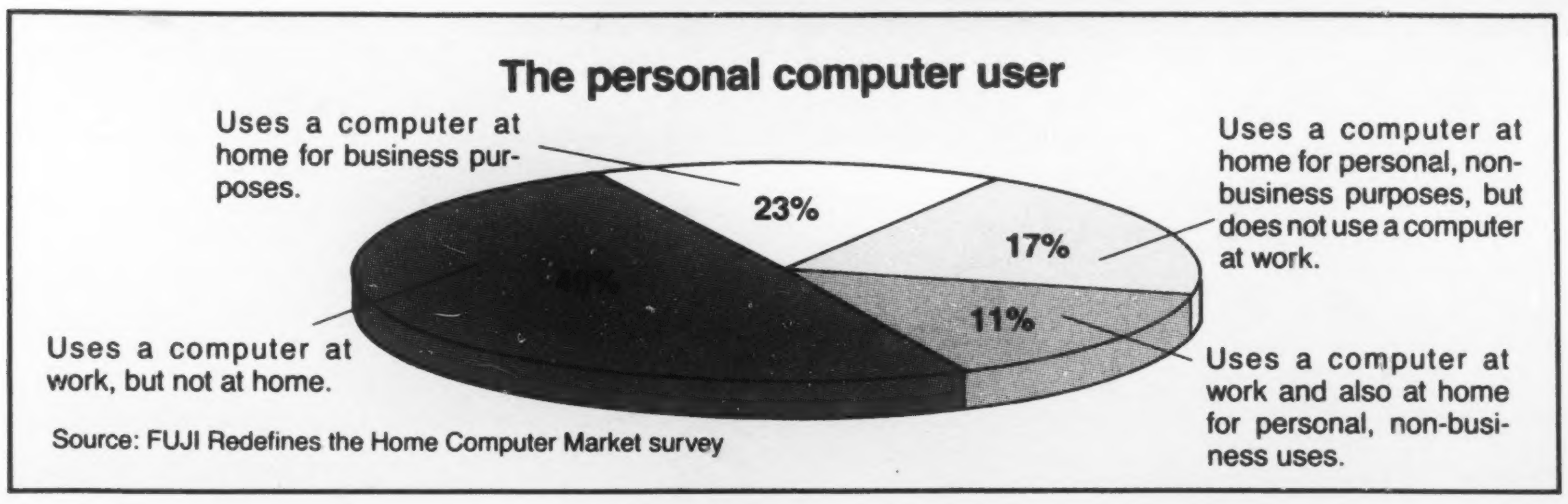
Last spring, Freddy's opened up new market opportunities with the purchase of three former Pathmark Super Drug stores from F & M Distributors. The stores, in Richmond, Hampton and Virginia Beach, Va., give the chain a base for growth in the mid-Atlantic region, midway between its upstate New York and Florida market bases.

"Our expansion next year will generally be targeted to upstate New York and Florida, and we will be building on our presence in Virginia," Silverstein said. "We had planned to move into Virginia anyway, so it was fortunate that the F & M stores became available."

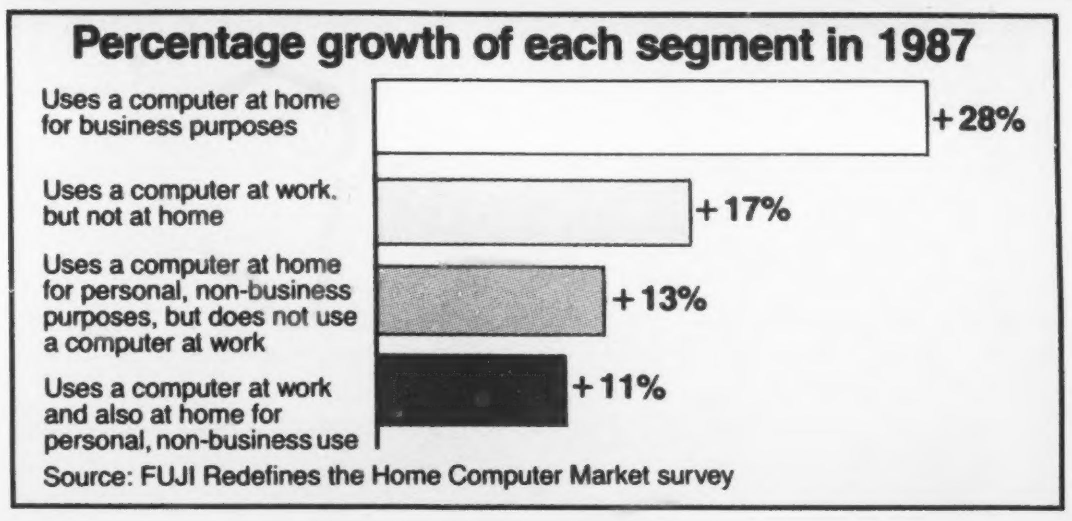
Silverstein said Freddy's continues to operate stores averaging about 27,000 square feet (17,000 selling), with the main focus on drug store basics at discounts of 30 percent to 50 percent or more.

"The emphasis is still on brand-name items, most heavily in the areas of H&BA, cosmetics, stationery/home office/school supplies, pharmacy, greeting cards and candy and snacks," he said. "The basic concept hasn't changed much since our association with Melville, but it's always being refined."

Except at grand opening events, the chain also continues to rely on word-of-mouth for advertising. *—J. F.*



Source: FUJI Redefines the Home Computer Market survey



Source: FUJI Redefines the Home Computer Market survey

Computer retailing channels encompass drug stores: study

NEW YORK — A new market, the home office, is emerging in the personal computer industry, a survey released by Fuji Photo Film U.S.A. reports. This new market, the survey revealed, is a direct result of the growth of personal computers from the corporate environment to the home.

The survey, *Fuji Redefines the Home Computer Market*, conducted by InfoCorp, also stated that the channels of distribution for personal computing accessories and supplies are expanding to new types of retail outlets, such as software specialty stores, office supply superstores, and drug stores.

Approximately 17 million households in the U. S. use a personal computer, and more people are using them at home to extend their workday or start new businesses.

Survey findings reported 90 percent of home-office workers use a computer at home at least once a week, and 62 percent use one three or more times per week. Also, almost half of the home-office workers surveyed expect to spend more time using their computers at home in the next six months.

Having become comfortable with using a computer at the workplace, people are willing to invest in home computing equipment for business purposes comparable to what they use on the job.

An average of $1,688 is spent by the typical home-office worker who uses a computer for business, compared to $785 by the typical person who uses a home computer recreationally. Similarly, the study revealed expenditures on supplies and peripherals averaged $289 for the home-office worker and $166 for the recreational/educational home computer user.

Almost half of all respondents said they usually return to a similar type of outlet when buying computer media.

Floppy disks were purchased at retail outlets by 75 percent of the respondents. This group included 54 percent who purchase accessories from specialty stores like computer, software or office supply stores, and 46 percent who favor mass merchandise outlets such as discount, department and drug stores.

In addition, the survey revealed that home computer users often return to the same type of outlet to purchase floppy disks. Almost half of all respondents said they usually return to a similar type of outlet when buying computer media, and almost three-fourths said they buy from three types of outlets or less. Only 14 percent expressed little or no preference on where they purchase computer software and accessories.

The survey held a message for retailers who can better reach the home computer market and increase profits by providing product availability, value, and high-quality products to their customers. With more than one-third of the U. S. labor force working at home, this new segment of the market represents a significant opportunity for retailers.

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FM

FOOD MERCHANDISING
FOR NON-FOOD RETAILERS

Fall 1988

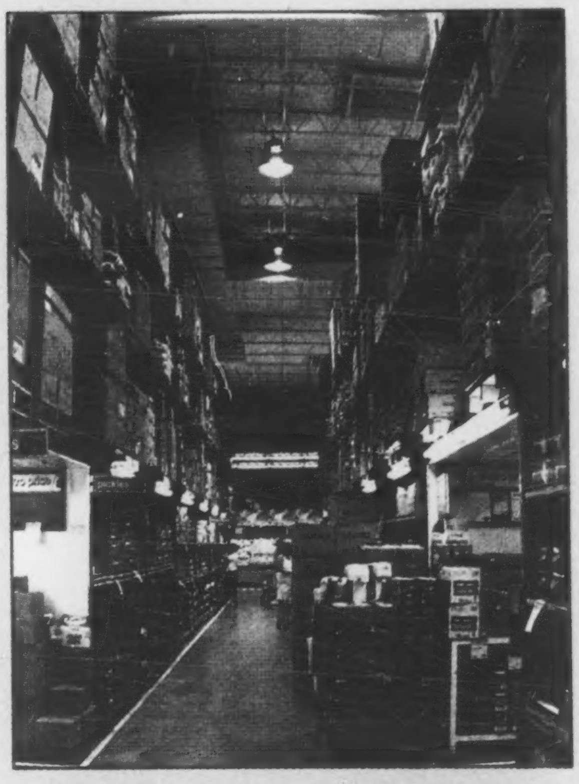
Profile; Pet Care Sales-Page 37

First Annual Non-Food Retail Grocery:

Quantifying How Non-Food Treats Groceries; Average margins, turns, % of total store sales, etc., for snacks, pet foods, household cleaners & beverages

Features

FM Special Report: How Retailers Handle Groceries in Non Food Stores



Special industry survey pinpoints how many chains carry grocery items like packaged groceries, candies, snacks, cleaners, pet foods and beverages and why chains stock them. Also, we have exclusive data on how much space each grocery category gets in the average nonfood store as well as each segment's average margins and average turns.

Alcoholic Beverages: Coolers and California Wines Stand Out in Flat Category

307422
ANDRE' PINK CHAMPAGNE 750ML
$2.29

Growth segments in the alcohol category, plus the strategies drug and discount chains are using to merchandise alcohol today.

Pet Care: Non Food Chains Have a New, More Aggressive Approach to Pet Care Sales

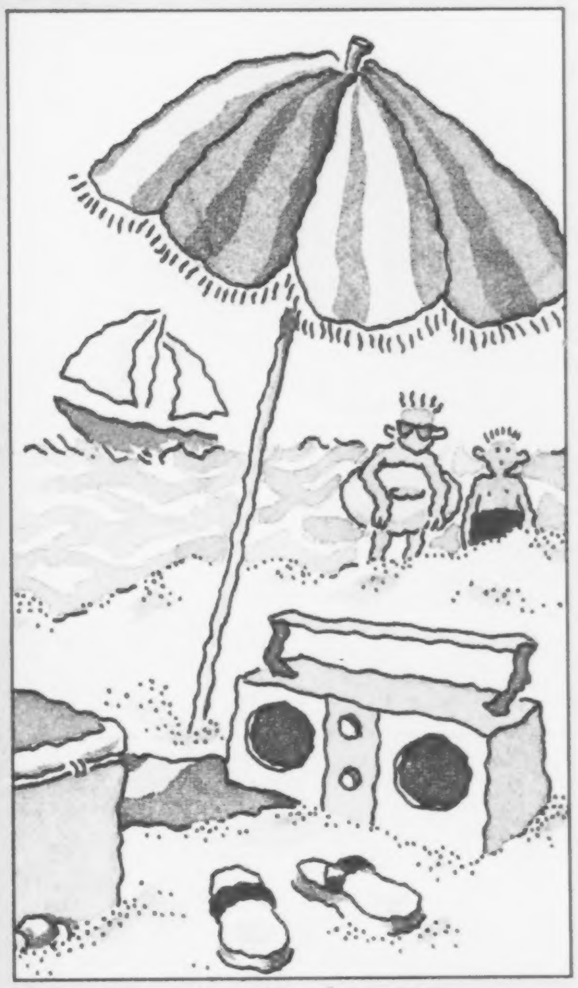
More chains today are putting in or expanding their pet care departments. Buyers say the addition of pet foods to their stores attracts more traffic to their high margin pet accessory departments.

Departments

Food For Thought

Last summer's dog days made beverages this year's hottest grocery category.

Sami: Category Seasonality Report



Best selling categories of summer

Food Merchandising for Non Food Retailers

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Long Hot Summer Sparks Beverage Sales In Non Food Store: Gatorade was "Outstanding"

Elizabeth Parks

It's been a long hot summer, and in some chains, sales suffered because people didn't want to stir, let alone shop.

But at least nonfood retailers report there was one bright spot in the almost constant 90 degree weather: beverages.

According to most buyers for nonfood chains, all beverages did well this past season, but some beverages, in the words of many buyers, were "outstanding."

Just about every buyer Fm talked to in August reported that their sales of Gatorade were "phenomenal" this past season.

Buyers say all their flavors are selling well this year, but their two newest flavors, Citrus Cooler and Lemonade, are doing phenomenally well.

"Gatorade had a great year with us last year, but this year it's even stronger," said one buyer for a mid-west drug chain. "It's incredible. It seems like everyone who steps outdoors has been drinking it. It's partly because it's the only brand in its category. It has about a 98% market share, but you also can't turn on a sporting event anywhere without seeing some athlete drinking Gatorade."

A new juice/bottled water drink, Stroh's Sun Dance, also sold well this past quarter, helped by an aggressive advertising campaign from Stroh's, and by the fact that many nonfood chains jumped on Sun Dance, almost from its first launch day.

According to brokers who handle Sun Dance, Stroh's did something very unusual for a manufacturer launching a new grocery item: they introduced it to the nonfood trade at the same time they introduced it to the food trade and many nonfood chains were actually quicker than the food chains to promote and feature Sun Dance.

According to the sales reps who sell Sun Dance into the stores, about 25% to 30% of Sun Dance's volume right now is coming through the nonfood trade.

Nonfood chains usually like to work on ads six to eight months down the line, but sources say that Wal-Mart took two weeks from the time their buyers first saw the Sun Dance presentation to the time they ordered the item.

"Their management saw the advertising Stroh's was putting behind it. They liked the uniqueness of the product, and they just turned on a dime. They dropped other items they had planned to promote and they just made space for it. It's been one of their hottest items this year," said a well placed source.

In Washington, D.C., the People's operated chain of Bud's Discount Drug stores had a mid-summer massive display of Sun Dance in the back of their stores next to Coke and Pepsi.

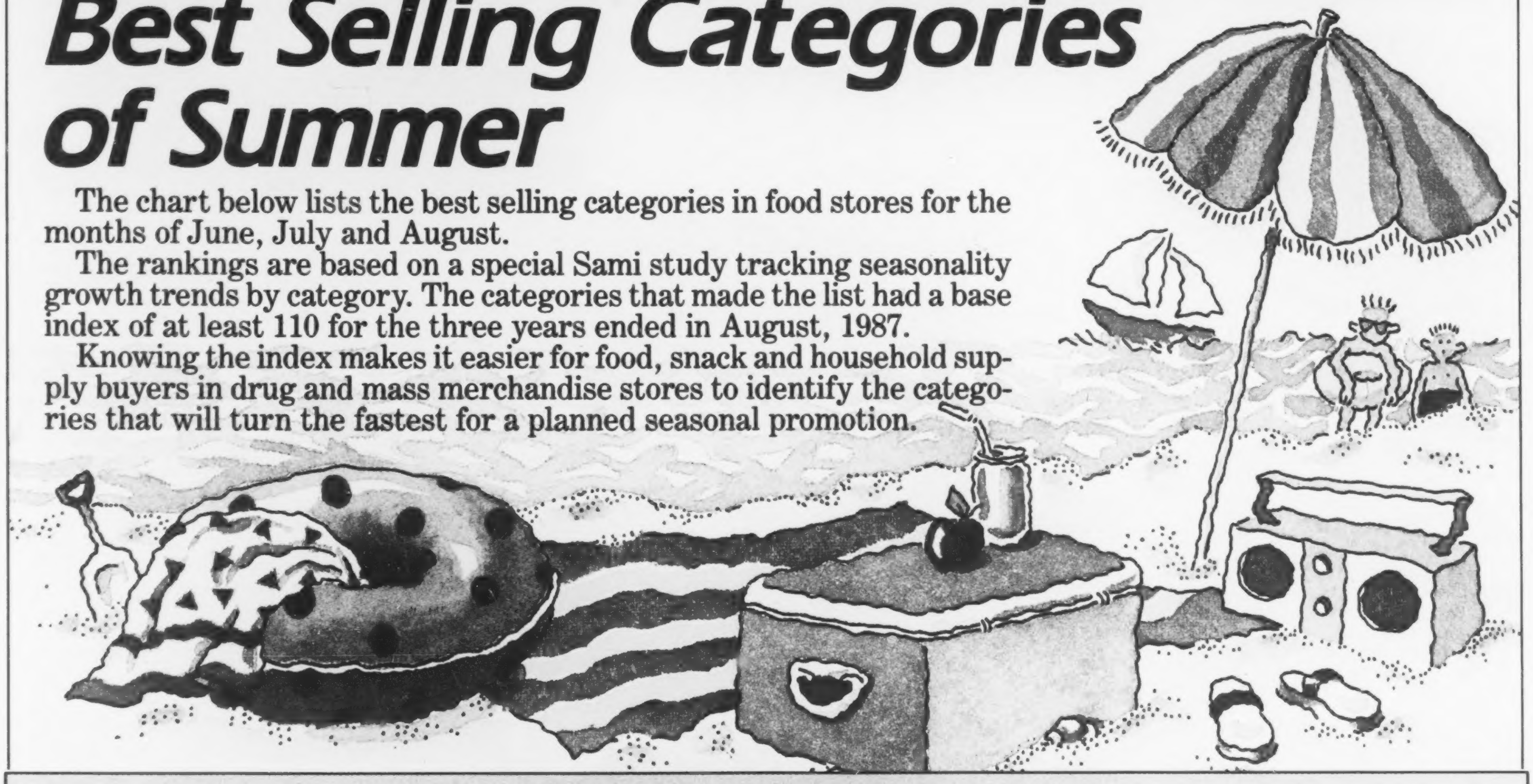
At a time when the food chains were primarily selling the beverage at a full mark-up with retails averaging about $2.99, Bud's set up bulk displays and promoted the item at $1.99. One store actually had 100 cases on display one week-end.

Best Selling Categories of Summer

The chart below lists the best selling categories in food stores for the months of June, July and August.

The rankings are based on a special Sami study tracking seasonality growth trends by category. The categories that made the list had a base index of at least 110 for the three years ended in August, 1987.

Knowing the index makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.



Foods and Groceries: Best Sellers of Summer

(Average three year index ranking)

June		July		August	
Foods	**Index Ranking**	**Foods**	**Index Ranking**	**Foods**	**Index Ranking**
Fruit Pectin	260	Fruit Pectin	268	Freezer bars	185
Freezer bars	231	Freezer bars	227	Vinegar/cooking wines	169
Barbecue sauce	152	Vinegar/cooking wines	162	Fruit Pectin	164
Canned prepared salads	149	Canned prepared salads	153	Iced tea mix/liquids	141
Iced tea mix/liquids	144	Iced tea mix & liquids	152	Soft drink mixes	122
Relishes	143	Barbecue sauce	148	Reg soft drinks	122
Pork & Beans	135	Relishes	145	Bottled water	122
Instant tea	127	Beans/Pork & Beans	136	Lemon/lime juices	117
Soft drink mixes	126	Soft drink mixes	135	Instant tea	116
Reg soft drinks	121	Reg soft drinks	131	Baking powder/soda	116
Mustard	120	Instant tea	126	Potatoe chips	115
Lo-cal salad dressing	119	Lemon/lime juices	123	Lo-cal soft drinks	115
Pourable salad dressings	119	Mustard	121	Granulated sugar	115
Meat sauce	118	Canned shrimp	121	Canned salads	113
Lemon/lime juices	118	Potatoe chips	121	Canned tuna	112
Juices/Juice Concentrates	118	Cocktail mixes, dry & bottled	121	Cocktail mixes, dry & bottled	112
Canned meat spreads	118	Spoonable salad dressings	118	Packaged gum	111
Canned sausages/franks	118	Pourable salad dressings	118	Packaged tea	111
MSG/Meat Tenderizers	118	Meat sauce	118		
Nonfoods					
Insect repellents	258	Insect repellents	249	Insect repellents	160
Charcoal	202	Charcoal	201	Charcoal	132
Charcoal lighter	184	Charcoal lighter	183	Insecticides	130
Insecticides	140	Insecticides	138	Soil/stain removers	124
Car care products	135	Plastic flatware	136	Charcoal lighter	120
Plastic flatware	131	Car care products	135	Food storage bags	120
Paper/plastic plates	122	Paper/plastic plates	127	Car care products	118
Paper/plastic cups	118	Soil/stain removers	124	Bleach	116
Soil/stain removers	118	Paper/plastic plates	123	Upholstery cleaners	115
Bleach	113	Disinfectants	113	Rug cleaners	114
Window cleaners	112	Bleach	113	Mildew removers	112
Soaps-hand & bath	112	Tampons	113	Window cleaners	110

Source: Sami Seasonality Report

FM Special Report: How Nonfood Chains Market Groceries

What's New In Grocery Merchandising

The search is on for more exciting new products. Nonfood chains are becoming more willing to take chances on new items, and buyers say one benefit is they can usually take longer margins.

Buyers are looking to expand their grocery assortments. They want more variety and new items.

Nonfood chains seem to be getting more daring with the types of groceries they're willing to promote, and sources are also reporting they have less of an inclination to low ball groceries or to advertise at cost.

Many buyers tell Fm that they are asking their brokers and venders for earlier information on upcoming new products.

The food buyer for a mid-west drug chain said she doesn't want to wait two years to promote something "new and hot that the grocery chains have introduced."

"It used to be," she said, "that I'd want to be 100% sure of an item's tonnage potential before I'd promote it. That meant I'd go with proven winners like a Star Kist Tuna or a Smuckers grape jelly.

"But now we've had a lot of success with food and I'd like to be quicker to offer my customers some of the hot new things, like a Sundance or an asceptic pack at a good price.

How Grocery Sales Break Out

	Drug	Discount
Segment	(% of total company sales)	
Cleaners & other non-edible groceries	8.5%	11.5%
Edible packaged groceries (excluding candies & snacks)	7.6	10.3
Candies & snacks	10.9	6.6

Source: Lebhar Friedman Research

"As long as the manufacturer is going to support their brand with major advertising, I know it will sell, and I'd like to have a chance to feature some new things if I could just hear about them early enough."

Trend is to low ball groceries as little as possible

Many buyers also say they don't have to be as competitive with some of the new items because the food chains haven't started to low ball it yet. As one source puts it, "that gives us a chance to offer the consumer something very attractive at a good price, but at a price where we can still make money. On some of the new items I've looked at, I can make 20% to 25% when I advertise it from a deal."

Buyers say it still depends on

Most nonfood chains try to stock brand names in their grocery departments. Buyers say they need to stock the items that people want.

How Groceries Perform in the Nonfood World				
Grocery segment	Everyday Margins Drug	Everyday Margins Discount	Annual Turns Drug	Annual Turns Discount
Candy/gum	26.7%	23.0%	17.0	17.0
Paper Products (facial tissues, etc.)	17.6	15.1	15.7	17.5
Household cleaning supplies	19.2	15.3	9.1	16.5
Chips/snacks	25.1	20.0	16.6	23.6
Non-alcoholic beverages	20.9	14.9	15.7	27.1
Pet foods & accessories	25.1	23.5	6.4	18.3
Packaged/canned dry groceries	22.0	19.7	7.1	23.1
Beer/wine other alcoholic beverages	24.0	13.5	7.3	21.3

Source: Lebhar Friedman Research

the region, but whenever possible they are trying to take longer margins on foods and non-edible groceries.

"If I'm in a very competitive market and I have to worry about building volume for my stores, then I'll go out at cost on the high consumption grocery categories," said a buyer for a major discount chain.

A Zayre's manager said that their philosophy is to go out at cost "only when you have to, only when you really want to make a statement and you are advertising a very competitive item like soft drinks."

But he added that he felt consumers don't mind paying another ten cents or so for the convenience of making the purchase "while they're in my store. People ask us for soft drinks," he said, "they ask for juices, they ask about cleaners and pet foods and groceries. If they pay 10 or 20 cents more, they don't seem to mind because of the convenience. However if we were 30 or 40 cents higher than food stores, I think it'd hurt us. We'd lose the sale and we'd get a bad image. So the trick is to make money but don't be perceived as high priced."

Buyers are searching out hot new winners

This year buyers say their brokers are introducing them to more new products earlier in the cycle, sometimes even before the brand has had a chance to take off in food stores.

How Drugstores Compare to Discount Stores On Food Merchandising		
Grocery segment	% of nonfood retailers carrying lines · Drug Everyday	% of nonfood retailers carrying lines · Discount Everyday
Candy/gum	93%	100%
Paper Product (facial & toilet tissues, etc.)	90	100
Household cleaning supplies	93	97
Chips/snacks	83	97
Non-alcoholic beverages	70	87
Pet foods & accessories	67	87
Packaged & canned dry groceries	37	50
Beer, wine and/or other alcoholic beverages	47	27

Source: Lebhar Friedman Research

Venture was buying Sundance on promotion just as it was starting to sweep the nation back in the spring of this year, and many of the wholesale clubs like Sam's and Price Saver had it even earlier.

A source for Wal-Mart says that when they hear about a new product from a vendor or broker, they go into the food stores to see how the food chains are treating the brand or the category.

If the food chains are giving it a lot of floor space and if the manufacturer is supporting it, the source said their tendency is to buy it in conservative quantities and see how it sells.

If it sells well, the buyers reorder while it's still on deal, and if it really sells well, then it goes into the planogram for everyday merchandising.

Many of the nonfood chains are taking this approach with the microwave category. Some sources even say nonfood chains do a better job with microwavable foods than food chains do.

All the major nonfood chains have had great success with microwave popcorn and with the Pillsbury microwavable cake mixes. Now many are starting to promote a cold pack microwavable cheese food made by the Kaukana Co. in Wisconsin.

Drug Emporium and Gibson stores have tried it and sources report good sell throughs. The item comes in a shelf stable cup and it has an everyday retail of between $1.79 and $1.99.

Other buyers are taking about testing a new microwavable toaster pastry that Mericco Co., a division of Anheiser Busch, had developed.

Several sources are also talking to Safeway foods about merchandising some of their private label brands including the Busy Baker which one source says has a very strong following in certain regional markets.

% of Print Advertising Budget Spent on Grocery Product Ads

Grocery segment	Drug	Discount
Candy/gum	3.7%	2.3%
Paper Products (facial tissues, etc.)	5.2	5.1
Household cleaning supplies	3.3	5.1
Chips/snacks	4.4	2.4
Non-alcoholic beverages	5.7	4.8
Pet foods & accessories	1.9	3.2
Packaged/ canned dry groceries	1.5	13.0
Beer/wine other alcoholic beverages	7.6	2.5

Source: Lebhar Friedman Research

Deep discount drug stores promote groceries aggressively. Displays are massive and designed to generate impulse sales.

How Space Is Allotted Everyday Groceries
(% of department space allocated in average store)

Grocery segment	Drug	Discount
Candy/gum	6.7%	4.2%
Paper Products (facial tissues, etc.)	7.0	4.8
Household cleaning supplies	5.7	6.5
Chips/snacks	5.1	4.9
Non-alcoholic beverages	5.4	5.5
Pet foods & accessories	4.1	6.3
Packaged/canned dry groceries	7.2	5.7
Beer/wine other alcoholic beverages	11.6	4.2

Source: Lebhar Friedman Research

Wal-Mart earlier this year was very successful with the Eight O'Clock A&P private label. They didn't advertise it often, but they kept the single serve pacquettes in their sidekick merchandising program for months, and managers say sales were excellent.

Buyers and brokers also say they expect to do very well with a new snack pack that Smuckers is bringing out. The pack contains preserves plus crackers and several brokers say it is a "natural for the nonfood trade."

"It's a great snacking item. It's convenient. It's a good brand name, and there's nothing else like it out there right now. It should go over very well," said one discount chain food buyer.

Also buyers say they are very excited about Quaker's new asceptic pack for Gatorade and Motts new multi-fruit flavored applesauce six pack.

At press time, Target, K mart and Wal-Mart were all reviewing these lines, and several sources said they expected to promote them "as soon as possible."

"I'm also looking for a new type of snack to promote," said one buyer, "and these kinds of things are perfect. They're appealing to consumers. They're quality brands and until the food stores start going crazy with them, I can advertise them and make about a 20% margin. Everyday, I can sell them and take about a 30% margin.

"I can always get turns with snacks, but with these kinds of items, I can make money too."

Many warehouse club stores sell beer, wine and alcohol. Buyers say the category presents "opportunities."

Liquor Sales Continue Flat

Coolers are still experiencing moderate growth, but beer, wine and hard liquor, in both sales and consumption, are all flat or down. Consumers, in a moderate mood, are seeking healthier beverages.

Alcoholic beverage sales remained slow in 1988. Wine and the darker liquors like scotch, bourbon and rye continued to experience consumption declines and flat sales.

White spirits enjoyed somewhat better growth, but nothing that can be described as dramatic.

According to buyers and industry experts, diet or health positioned drinks including light beverages were still in this year, and flavors such as peach, raspberry and coconut, were still popular.

But generally in 1987 and continuing through 1988, the story is that individual brands managed to generate growth, but, with a few exceptions, most categories did not.

Beer Tonnage Sales Trends (millions of 31 gallon barrels)

Segment	1986	1987	% chng
Premium	43.0	41.5	(3.4%)
Light	22.1	24.0	8.6%
Popular	24.0	23.7	(1.3%)
Imported	4.7	5.1	8.5%
Super Premiums	2.9	3.2	10.3%
Malt liquors	2.8	3.0	(6.7%)

Source: Beverage Industry Magazine

According to Impact, one of the beverage industry's leading publications, alcoholic beverages, in 1987, lagged behind other beverage segments in total dollar growth.

Impact says in 1987, alcoholic beverages posted a modest 1.5% increase in retail sales to $54.9 billion. In 1987, Impact reports that sales for the total beverage industry were up 2.3% to $125.4 billion.

Impact also reports that alcohol's share of total beverage sales is also dramatically down. In 1975, alcoholic beverages had a 50% share of sales. Last year, Impact says their share was just 43.8%.

In 1987, beer posted a modest 1.8% gain to $30.2 billion at retail. Wine was flat with $7.2 billion in sales. Spirits were also flat with $15.7 billion in sales.

Retail sales for coolers, however, soared 19.2% to $1.8 billion. The only other beverage category to experience such strong growth was bottled water, up 12.5% to $900 million in retail sales.

Impact records that alcoholic

beverages are continuing to decline in popularity. Total alcoholic beverages rang up a 43.8% share of retail sales in 1987. But, in contrast, they commanded a 54% share in 1970, and they had a 44.1% share in 1986.

Beer continues to be the dominant alcoholic beverage of choice for most Americans. Beer had a 24.1% share of retail sales in 1987, compared to 24.2% in '86 and 23.5% in 1970.

Wine had a 5.7% share last year, down 0.2 points from 1986 and up from 5.1% in 1970. Spirit had a 12.5% share last year, down 0.3 points from 1986 and down from a high of 25.1% in 1970.

Coolers, which had less than a 0.05% share in 1980, had a 1.4% share in 1987, up 0.2 points from 1986.

U.S. Alcohol Beverage Consumption: Share of Total Market

Category	1970	1986	1987
Beer	85.3%	84.9%	85.0%
Wine	6.0	6.8	6.7
Distilled Spirits	8.7	5.8	5.7
All Coolers	n.a.	2.4	2.5
All Alcoholic Beverages	100%	100%	100%

Source: Impact Databank

1987 Comparison of Alcoholic Beverages by Category (gallons vs. retail sales)

	Gallons	Retail Sales
Coolers	2.5%	3.3%
Distilled Spirits	5.7	28.6
Wine	6.7	13.1
Beer	85.0	55.0

Source: Impact Databank

In 1987, only one segment of the alcoholic beverage category, coolers, turned in any significant consumption gains.

Before the start of this decade, Impact reports that alcoholic beverages had consistently outperformed the beverage market as a whole on consumption growth.

But since 1980 on, the "national mood of moderation," coupled with legislation raising state drinking ages and imposing new taxes and stiffer laws against drunk driving, have "hobbled" the growth of alcoholic beverages with the one exception of coolers.

Impact says that in 1987, alcoholic beverage consumption was down 0.2% in 1987 to just 6.8 billion gallons consumed, and their share of beverage volume was also down 0.2 points to 15%.

Impact also records that three of the four alcoholic beverage categories they track turned in consumption losses last year. Beer was down 0.1%, wine was down 1.8% and distilled spirits were down 1.9%.

Coolers did continue to grow, up 6.1% to 173 million gallons. But even in this segment, the picture was not as bright as retailers and manufacturers would like it to be.

Most sources agreed that the 6% growth was good in a down category, but it's also obvious that coolers are reaching their maturity or saturation point. In 1986, for example, consumption for the category was up a whopping 66.3%. It's fairly clear the coolers will not be attracting many more new users. The category's reached its maturity.

1987 Comparison of Alcoholic Vs. Non Alcoholic Beverages (gallons vs. retail sales)

	Gallons	Retail Sales
Alcohol	19.3%	43.8%
Non Alcohol	80.7	56.2

Source: Impact Databank

U.S. Beverage Consumption Trends (millions of gallons)

Category	1986	1987	% change	Average Annual Compound Growth Rate 1980-'85
Beer	5,794	5,788	(0.1%)	0.5%
Wine	466	457	(1.8)	0.6
Distilled Spirits	398	390	(1.9)	(1.2)
All Coolers	163	173	6.1	n.a.
All Alcoholic Beverages	6,821	6,808	(0.2)	0.7
Soft Drinks	11,640	12,060	3.6	3.9
Coffee	5,700	5,755	1.0	(0.1)
Milk	5,057	5,071	0.3	0.2
Fruit Juice/Drinks	2,547	2,558	0.4	2.1
Tea	1,500	1,435	(4.3)	(0.6)
All Water	11,180	11,175	0	(0.1)
Other +	545	550	0.9	0.6
All Non-Alcoholic Beverages	38,169	38,604	1.1	1.2
All Beverage Consumption	44,990	45,412	0.9	1.1

+ Includes powdered beverages, non alcoholic cocktail mixes, cocoa/chocolate beverages, etc.

Source: Impact Databank

Bright Spot in Beverage Consumption

Impact magazine, a leading beverage industry publication, believes that total per capita beverage consumption is destined to rise over time.

Impact bases its theory partly on the fact that The Physician's Handbook has reported that daily liquid consumption increases as people grow older.

The Physician's Handbook reports that infants require 11 to 33 liquid ounces daily; children require 33 to 60 ounces daily, and adults require 60 to 83 ounces daily.

Impact says the fact that the U.S. adult population is growing, combined with the availability of a much broader selection of beverages and with increased purchasing power, should promote total per-capita consumption growth.

beer
WINE
SODA
Pretzels
CHIPS
NUTS

Liquor buyers say moderately priced California wines are among this year's best sellers.

Coolers and California Wines Are '88's Best Sellers

Retailers report their best liquor sellers are coolers, California wines and light and imported beers Buyers say coolers are the "brightest spot" this year in the liquor category, and they say the best promotions feature "price and assortment"

Except for coolers, the liquor category is virtually flat in today's market place. Retailers who do stock liquor report there are no bright spots in the category right now.

Most say coolers are continuing to sell well, although no one is seeing anything like the growth surges of 1985 and 1986. Most sources say the fruit flavored wines and coolers are selling the best, and a few sources are seeing a surge of sales in the premium or better California wines, especially for chardonnays, white zins, and cabernets.

Jug wines are also selling well, although no one reports any dramatic growth, just "a good steady business."

Imported and light beers are still doing well, but the growth of the Mexican beers is starting to peak in some markets.

This year, buyers say their strongest merchandising tool is price. Buyers say they are careful to buy at the lowest possible acquisition costs, because their sell throughs depend on the value they can offer the consumer.

Few chains report that they are expanding space for liquor in 1988, and most say they are continuing to carry a good assortment "to give shoppers a good selection" and they're continuing to advertise liquor to make it visible to their shoppers.

The biggest new items this year, most buyers say, are the new flavors that the cooler manufacturers are introducing. Seagrams, Bartles and James and Gallo, in particular, are introducing line extensions that most buyers say are selling well.

U.S. Alcohol Beverage Consumption Trends (gallons per person)

Category	1986	1987	% change	Average Annual Compound Growth Rate 1980-'85
Beer	24.03	23.78	(1.0%)	(0.5%)
Wine	1.93	1.88	(2.9)	(0.4)
Distilled Spirits	1.65	1.60	(2.9)	(2.2)
All Coolers	0.68	0.71	5.1	0.05
All Alcoholic Beverages	28.29	27.97	(1.1)	(0.3)

Source: Impact Databank

"The wine cooler category is certainly not as hot as it once was," says a source for a southwest-based drug chain, "but by introducing new flavors, they're helping to build the business."

Several sources report that their movement on the Bartles and James red coolers "is dead." However, B & J is extending into berries and into tropical flavors that buyers say look like they will do well.

Seagrams has about seven flavors out now, and their variety, in combination with their aggressive ads, are helping sales tremendously. Most buyers say the Seagrams coolers are among their best sellers.

Several buyers are starting to report stronger sales of their California varietals, and they say this is because many California manufacturers are starting to get behind these wines now to promote them as alternatives for German and French wines that are going up again in price.

"I think they're starting to cut into my market for German wines," said one source. "About three years ago, my customers were paying about $4 for a bottle of German or French wine. Now it's up to $7."

Buyers say the Italian wine market still belongs predominantly to Riunite, but they say Riunite's growth overall is still flat. Many buyers report that their Riunite sales are about where they were a year ago. The peach flavored Riunite is still selling well, and some sources say that is what is still keeping the brand strong.

Among the California wines, many sources say that Sebastini has had a resurgence, and is selling very well now. "For some years, it was a dead horse," said one buyer, "but now it's doing very well for me."

Sutter Home is selling well, especially its White Zinfandel. White Zins and the blush wines, in fact, are doing much better this year.

Jug wines are still selling okay, especially Gallo and Inglenook. However, retailers are trying to push their customers up to the $4 and $5 California premium wines.

Some chains are even putting in small four ft. sections for the California varietals, and buyers say they plan to advertise them more.

In some parts of the country, buyers report a surge in low end imports like the Yugoslavian wines, the cheaper Cote du Rhones from France and some of the low end German wines.

Several chains report success promoting these wines as "Specials from the Wines of the World." In some cases, they have advertised them for as low as three bottles for $7.

"The deal is basically put together by my wholesaler," says one source in the west. "He gets the manufacturer to come out at a good price and he'll offer me a good package of maybe one Yugoslavian wine, a German wine and a French

U.S. Beverage Retail Sales (billions of dollars)

Category	1986	1987	% change	Average Annual Compound Growth Rate 1980-'85
Beer	$ 29.7	$ 30.2	1.8%	6.6%
Wine	7.2	7.2	0	3.4
Distilled Spirits	15.7	15.7	0	2.4
All Coolers	1.5	1.8	19.2	n.a.
All Alcoholic Beverages	54.1	54.9	1.5	5.3
Soft Drinks	36.7	38.7	5.6	9.5
Coffee	6.0	5.3	(11.5)	(1.5)
Milk	11.5	11.8	2.0	2.6
Fruit Juice/Drinks	11.2	11.6	3.4	12.4
Tea	1.4	1.3	(5.4)	6.4
Bottled Water	0.8	0.9	12.5	15.0
Other +	0.9	0.9	(0.3)	4.5
All Non-Alcoholic Beverages	68.5	70.5	2.9	7.4
All Beverage Consumption	122.6	125.4	2.3	7.4

+ Includes powdered beverages, non alcoholic cocktail mixes, cocoa/chocolate beverages, etc.
Source: Impact Databank

U.S. Beverage Retail Sales: Share of Total Market

Category	1970	1986	1987
Beer	23.5%	24.2%	24.1%
Wine	5.1	5.9	5.7
Distilled Spirits	25.1	12.8	12.5
All Coolers	n.a.	1.2	1.4
All Alcoholic Beverages	54.0	44.1	43.8
Soft Drinks	17.1	29.9	30.9
Coffee	4.8	4.9	4.2
Milk	16.3	9.4	9.4
Fruit Juice/Drinks	5.9	9.1	9.2
Tea	0.8	1.1	1.0
Bottled Water	n.a.	0.7	0.7
Other +	0.5	0.7	0.7
All Non-Alcoholic Beverages	46.0	55.9	56.2
All Beverage Consumption	100%	100%	100%

+ Includes powdered beverages, non alcoholic cocktail mixes, cocoa/chocolate beverages, etc.
Addition of columns may not agree because of rounding
Source: Impact Databank

Imported beers and light beers stand out in a flat category. Coors, Heineken and Corona are selling well.

Outlook For Tomorrow's Alcohol Market

What will be the nation's strongest selling beverages from now through the 1990's?

In its 1988 Review and Forecast edition of Beverage Trends in America, Impact magazine signals out soft drinks, coolers and fruit juice/drinks as the growth areas for beverages from now through the year 2000.

Impact predicts that the overall beverage market will expand 1.4% a year through 1990, reaching 47.8 billion gallons in 1995 and 51.5 gallons by 2000.

By 1990, Impact expects that alcoholic beverage volume will be winnowed down to just over 6.7 billion gallons, where Impact thinks the market will remain through the year 2000 and beyond.

Their market experts feel that alcohol's share of beverage consumption will dwindle from 14.1% in 1990 to 13% in 2000.

Impact says that beer volume will probably erode at a modest but steady pace over the coming years, slipping to just over 6.7 billion gallons by 1990, and to below 5.6 billion by 2000.

Impact thinks wine will dip to about 445 gallons by 1990, but should recover to maybe 459 million gallons by 2000.

Spirit consumption will probably slide more dramatically, going down to about 385 million gallons by 1990 and to 357 million by 2000.

Coolers, which were at 187 million gallons in 1987, could climb as high as 316 million gallons by 2000. By the turn of the century, Impact thinks coolers may account for 4.3% of all alcoholic consumption. They account for 0.4% now.

wine. At $7 for three bottles, I don't make much money, but I can draw traffic and I can get more customers into the department."

In beer, the best selling brands still depend on the region of the country. In the mid-west, Mexican beers are still selling well, but in the south, some buyers report a slow down. Corona is still strong, but not as hot as it was last year at this time. Heineken is still doing well, but not spectacular. The best selling American beer is still Bud and Bud light. The light beers are still strong.

Some buyers say they would like to try the "copy cat" Mexican brands coming out as well as the newer, exotic beers like Jamaican beer, but most say they can't get the price points down low enough to make the assortments attractive in their stores or for their customer base.

"If I have to sell Jamaican beer at $21 a case, I don't want it," said one source.

In imports right now, many buyers say their fastest growing brand is Coors.

Very few chains could report any particularly strong promotions this year. Most buyers said the only thing that sells alcohol right now is price.

Brown goods are continuing to decline. The best selling brands are often dependent on regional preferences, but Jack Daniels is often named as a bestseller, so are Johnny Walker, Seagrams Vo, Crown Royal and Dewar's.

Many buyers say their small size liquors were doing the bulk of the volume this year, one source said his small sizes outside the bigger sizes "five to one," but the 1.75-oz. bottles were still popular in ads, especially for some of the bigger chains like Walgreens and K mart.

Non Foods New Approach To Pet Care

Many chains are setting up permanent pet food departments. Foods lure customers & create the environment for sales of higher margin accessories

Credit line: Photo by Ray Garland

Drug and discount chains are catering to pet lovers by adding or expanding pet care departments.

After years of promoting pet foods as a traffic builder, drug and discount chains are beginning to give the category more attention as a permanent everyday department.

- Zayre's, which is headquartered in Boston, has made pet foods a permanent department in all stores;
- Jack Eckerd is rolling out permanent departments in almost all of its drug stores;
- Rich's Department stores is putting in a permanent pet food set this year;
- K mart is testing a permanent department in about 100 stores;
- S.E. Nichols is testing the section in a handful of stores and is reportedly set to roll it out shortly;

Fay's Drug is testing a permanent set;

Caldor is poised to launch a test;

and Drug Emporium is in the process of rolling out 12 to 16 ft. departments to almost all its stores, both company and franchised.

% Pet Food Sales by Category Segment

Segment	% share of Dollar Sales
Dog Food Dry	32.0%
Dog Food Wet	16.0
Dog Food Snacks	7.0
Dog Food Semi-Moist	3.0
Cat Food Wet	21.0
Cat Food Dry	14.0
Cat Food Semi-Moist	4.0
Cat Food Snacks	0.5
Miscellaneous (bird food, gerbil & hamster food, etc.)	2.5

+ Food store retail sales only, for period ended in January.
Sami Dry Grocery Food Category Trends

Buyers tell Fm they're attracted to pet foods because of the category's dollar volume. According to Sami, in food stores alone, pet foods generate nearly $6 billion a year in retail sales.

Many buyers also say they see a way to maximize sales in higher margin accessory departments by having pet foods in their stores as a customer draw.

A source for Zayre's said they feel they may be able to increase their high margin pet accessory sales "two or three times what they have been" by having pet foods in their stores, near accessories.

Several sources said that as a nearly $6 billion dollar category, pet foods are "big business" and that it therefore makes sense for retailers who carry other tonnage categories like candy, snacks and soft drinks to stock pet foods as well.

"A category that big is going to do well on promotion and everyday too," said one buyer for a major discount chain.

"Right now," said the Zayre's source, "we make about 60% average gross margins just on pet accessories. Everyday, we make between 20% and 30% on the foods, but since we put the foods in last year, our pet accessory sales have gone up over 50%.

"In the end, it could be possible that we'll triple or even quadruple our accessory business just because of the tie in to the foods."

Many of the nonfood chains are also putting the department in the back of their stores near higher margin general merchandise. Many discount stores locate the department near auto supplies and lawn and garden, while drug chains have it close to auto supplies or household gadgets and housewares.

In discount stores the average department runs from about 16 ft. to as much as 60 ft., but 20 to 40 ft. is more typical. The size depends on the store and whether or not it is in a neighborhood with what retailers call "a high pet index."

In Zayre's case, their new pet food section ranges from 20 to 40 ft. and it is partnered with a free standing floor display of Hartz pet accessories.

The department stocks most of the major brands including selections from Ralston Purina, which makes Dog Chow, Puppy Chow, Chuck Wagon, Meow Mix, Tender Vittles, Cat Chow and Kitten Chow; Star Kist, which makes 9 Lives, Quaker Oats, which makes Gravy Train and Gainesburgers, and Carnation which makes Friskies, Fancy Feast, Mighty Dog, Chefs Blend and Come & Get It, etc.

Several manufacturers whose brands are in the department say their sales are up more than 80% over last year, but that is also due to the fact that the department is new and that Zayre is getting business it never had everyday before.

The chain has always aggressively promoted pet foods, however, and they are continuing their promotions to make consumers aware that they carry the pet food lines everyday.

They also use banners over the department to catch the attention of in-store shoppers.

Caldor has not been as aggressive with pet foods, but sources for the chain said they are going to test pet foods this year, either promotionally or everyday or possibly both.

One source said they even had the planogram worked out. It will be for 8 to 12 ft. sections and it will stock about 60% cat food versus 40% dog.

Rich's has also started promoting pet foods, and the 30 store chain is going to be testing 16 ft. pet food departments starting this fall. One source said the chain will initially put the departments into about a third of its stores and if they are successful, they will roll out chainwide very quickly.

Most buyers say they think most

Pet Food: Brand Share of Dollar Sales

Brand	1984	1985	1986	1987
Ralston Purina	27.0%	26.7%	27.3%	28.7%
Friskies	11.9	12.1	12.0	12.4
Quaker Oats	7.1	7.1	13.1	11.1
Heinz	7.4	7.8	8.3	102
Kal Kan	8.7	8.4	9.3	9.4
Alpo	6.2	7.1	7.1	6.3
Gaines	6.8	6.6	*	*
All Others	24.9	24.3	23.0	22.0

*not available
Source: Maxwell Report

What's Hot In Pet Accessories

This year, discount stores are making more space for pet accessories in their aisles.

Buyers say that their pet accessory sales have been increasing at rates ranging from 20% to 50%.

Conventional pet accessories like feeding bowls, brushes, shampoos, flea powder products and toys are strong in almost all types of nonfood stores, including drug chains.

But the discount chains like K mart, Wal-Mart, Target, Venture and Gold Circle are also doing very well with larger accessory products like cat litter boxes with hoods and portable pet carriers.

According to A&B marketing, a Cleveland-based broker that sells to most of the major nonfood chains, Pet Taxis, made by Doskocil in Arlington, Tex., is still selling well in discount stores, especially the smaller sizes that retail anywhere from $10.99 on sale to about $16.99 everyday.

This year, Doskocil is introducing a new improved model in a pastel blue shade and buyers say it should be "fantastic." The price is the same but the cage now has a double locked door, and a small compartment on top for treats or medicine.

Several discount store buyers say they are also thinking of expanding their assortment of cat and dog food and water bowls. Doskocil is also coming out with the industry's first full line assortment of bowls in a variety of types, sizes and shapes, and buyers say the line, called Pet Mate, may be just what they need to round out their accessory program.

"It's the first time I'll be able to tie in litter pan purchases with a full pet bowl line," said one buyer. "It's convenient and I think it might do well in our stores."

This Christmas, many chains are also planning to advertise what A&B's Gene Ambrose called "the hottest new item in the category: mini-acquariums."

Also known as desk acquariums, the mini's come in self-contained one and two gallon sizes and buyers say they are really in demand this year.

"People are buying them as decorations for the house," said Ambrose. "You see them all over, in department stores as well as stationery stores. They're in right now."

The mini's are made by several manufacturers, but several buyers singled out a company called Hawkeye in Gardner, Kan., for making a particularly good line.

Wal-Mart now carries the mini everyday, and sources said they will probably promote them this Christmas. Fisher Big Wheel, Target, Thrift Drug and Gold Circle also have them, and some sources for these chains said they will also probably promote them for Christmas.

of their sales will be promotional at first. "We're looking to draw traffic for us, especially in the beginning," several said.

One buyer said that research shows that over half the people who shop discount stores have pets and so the category "is a natural for impulse sales."

Most sources also said they expect their volume will build slowly at first, but in a steady way. "Wal-Mart right now is getting about 20 turns a year from this category, so we think we can get our turns up to 8 or 10 a year and then maybe peak at about 15 to 17," one buyer said.

In chain drugstores, buyers are estimating they can get seven to 10 turns a year from pet food. Their departments, of course, are much smaller than the departments in discount stores, and they also generate less foot traffic.

Trends in Pet Food Sales
(Food store retail sales in millions)

Segment	1982	1987	1989	% chng. '88 vs. '87
Dog Food Dry	$1,597.9	$1,753.3	$1,742.0	(0.6%)
Dog Food Wet	814.5	827.9	850.5	2.7
Dog Food Snacks	250.6	340.0	373.5	9.8
Dog Food Semi-Moist	269.0	199.6	182.3	(8.7)
Cat Food Wet	825.9	1,119.3	1,162.3	3.8
Cat Food Dry	582.5	769.4	752.9	(2.1)
Cat Food Semi-Moist	204.0	244.8	223.0	(8.9)
Cat Food Snacks	n.a.	21.2	26.3	24.0
Miscellaneous (bird food, gerbil & hamster food, etc.)	85.5	122.7	135.5	10.0
Total	**$4,629.9**	**$5,376.9**	**$5,448.3**	**1.3%**

†Food store retail sales only, for period ended in January.

The drug chains are also a little more mixed in their reaction to pet foods. Some chains like Rite Aid have no permanent departments and seldom, if ever, promote pet foods. "Our stores are too small and there are too many problems with handling the category for us," says one source.

However other chains with small or bantam stores do have at least four ft. regular departments including CVS headquartered in Woonsocket, R.I. and Duane Reade headquarted in New York.

CVS promotes pet foods at least once a quarter and one source said their total sales from pet foods were up "30% over last year."

Duane Reade also has a four ft. set in their midtown Manhattan stores, and although Duane Reade doesn't advertise any category, their sales in this department are also up in excess of 30%, according to a source.

Duane Reade only carries cat food because their primary customer doesn't travel to the stores by car, but comes in off the street to shop for fill in items.

Jack Eckerd is also rolling out a four ft. permanent section to all its stores, and is planning some aggressive promotions to highlight the category.

One source said they were attracted to pet foods "by the size of the category" and by "its potential for impulse sales."

Fay's Drug in Liverpool, N.Y., which promotes pet foods very aggressively, is also considering a permanent department, and an 8 ft. planogram should be in test shortly, sources said.

Most drug chains only carry the 5-lb. bags of dry food as well as several brands of canned and semi moist cat and dog food. Again the mix is usually 60% cat food versus 40% dog food. Cat litter is almost always in nonfood stores, and generally most chains prefer to stock the Lowe brands, Kitty Litter and Tidy Cat 3, which dominate the litter category.

Many of the bantam drug chains tend to shy away from dry dog food promotions because of their bulk, but some sources say they are currently considering buying 4- and 8-lb. bags of dog food for "promotions."

At last one manufacturer, Quaker Oats, which makes Gravy Train and other pet food brands, is putting together some aggressive deals on these sizes, sources said.

Top 10 Gourmet Cat Food Items
(ranked by unit sales, 24 ounce equivalency)

Rank	Item
1.	9 Lives Sliced Beef/Gravy 6 oz.
2.	Fancy Feast Svry Slm 3 oz.
3.	Friskies Buffet Turkey/ Giblets 6 oz.
4.	Fancy Feast Whitefish/Tuna 3 oz.
5.	Purina 100 Tuna 6 oz.
6.	Friskies Buffet Mixed Grill 6 oz.
7.	Friskies Buffet Beef & Liver 6 oz.
8.	9 Lives Sliced Veal & Gravy 6 oz.
9.	Fancy Feast Seafood 3 oz.
10.	9 Lives Beef & Liver Platter

Source: Manufacturer Research based on Scantrack

Ralston Purina is also looking at putting together different size packs for drug and discount store retailers, including smaller bags for the drug stores and larger boxes for the discounters. Another possibility is cannister sizes for small treats.

At Carnation, their management is trying to "tailor" their promotional programs to the specific needs of individual retail chains. Earlier this year, for example, Zayre's decided to develop a program that would encourage the purchase of higher ticket cases rather than just cans of pet food. Carnation helped by developing a customized promotion that featured a generous rebate for consumers who bought either Mighty Dog or Friskies Buffet by the case rather than in pieces.

Sources say that most of the major discount chains including Wal-Mart, K mart and Target have similar types of customized promotions either under discussion or in development.

Many pet food manufacturers are also looking at shrinkwrapping canned pet foods for special promotions. Warehouse clubs have always asked for shrink wraps so they can make bulk purchases easier for their customers, but now many discount chains are asking for similar assistance.

One buyer said the ability to offer shrink wraps would give him an extra advantage over food stores because he could offer a higher savings at a greater convenience to his customers.

Drug chains, however, are not as interested in programs that feature larger size purchases because most of their stores are too small to take advantage of such opportunities. Their preference is still for promotions that feature smaller, easier to carry sizes.

One pet food buyer for a northeast based drug chain said he was attracted by the chance to feature smaller packs of dry dog food, which is the biggest segment in the category with over $1.7 billion in food store retail sales. He also said that he felt competition with food stores and with mass merchandisers would be less intense because these chains tend to favor promo-

“We can make our margins and yet still offer consumers a considerable savings on the dry foods everyday,” said the source, “but we can't undercut the food stores on the canned brands and still make as much money as we like, so we just aren't going to carry the cans right now.”

Drug chains today are also reacting much faster to new product introductions from the major pet food manufacturers. Longs, for example, has already featured Carnation's new Grand Gourmet in several ads, and so has Fay's and F & M.

The discount chains have traditionally been even quicker to pick up on new launches in this category. This year, both Wal-Mart and Zayre's have promoted two of Purina's newest launches, Grrravy and Hearty Chews.

Buyers say that promotions built around new items give them a chance to take a higher margin because food stores haven't gotten around yet to discounting the item. Buyers also say that with pet foods, “there is no sense having an everyday department unless you promote it aggressively and build its visibility.”

Top 10 Gourmet Canned Dog Food Items

(ranked by unit sales, 24 ounce equivalency)

Rank	Item
1.	Alpo with Beef Dinner Chunks 14 oz.
2.	Kal Kan Beef Dinner Chunks 14 oz.
3.	Mighty Dog with Beef 6.5 oz.
4.	Alpo with Liver Dinner Chunks 14 oz.
5.	Mightly Dog Reg Gourmet 6.5 oz.
6.	Cycle 4 with Beef & Gravy 14 oz.
7.	Mighty Dog with Beef & Chicken 6.5 oz.
8.	Alpo Chicken Dinner 14 oz.
9.	Alpo Beef 14 oz.
10.	Cycle 2 Beef & Gravy 14 oz.

Source: Manufacturer Research Based on Scantrack

Nonfood chains think of pet care items as "convenience" categories

Nonfood chains are continuing to promote the pet food category aggressively and most are continuing to carry convenience assortments everyday to satisfy what one buyer says is “the army” of pet food lovers in the nation today.

Most buyers are continuing to support pet food, pointing out that the pet food market is very big. “So many people have pets today,” says a source for Fay's Drug in New York, “that pets sometimes eat better than people.”

Buyers also say they still get strong sell throughs with pet food, especially when they advertise a major brand at a hot price.

Most buyers also say they will only advertise the national brands like Alpo, Mighty Dog, Gravy Train, Gainesburgers, Puss N Boots, Purina, 9 Lives, Friskies, etc.

Discount chains, which have more space for the bulkier sizes of pet food, tend to promote the category more often than drug chains, and Wal-Mart is particularly aggressive with pet food promotions because so many of their stores are in small rural markets.

However, even in New York City, the category gets attention. Duane Reade, whose 5,000 sq. ft. stores average about $1100 a year in sales per sq. ft., almost always has some pet food on an off shelf display plus they have a modest everyday section in their small universe of stores.

“There are a lot of animal lovers in New York too,” says one manager.

The warehouse clubs too are aggressive with the category, and pet food gets plenty of off shelf display in chains like Price Club, Sam's Wholesale Clubs, Makro, The Wholesale Club, etc.

Snacks for dogs are getting ad activity today, because they are an easier item to handle than the bags of dry food. Milk Bone dog biscuits is a popular feature in many chains today, including K mart. A typical ad price is $2.97 for a 4-lb. box.

Quaker Oats has a cat treat called Pounce that the company promotes once or twice a year. Longs and Thrifty have been particularly active with this item, and CVS has featured the Pounce holiday pack, a two pack stocking stuffer gift set at Christmas.

New items still don't get as much play in nonfood stores as they do in the food chains, but there are some chains that are starting to get much more active with these types of items.

Buyers say that by promoting a new item from an established manufacturer, they can attract incremental sales at an attractive margin because food chains don't usually “football” a new item in the beginning of its life cycle.

Wal-Mart and Zayre's have both promoted two of Purina's newest items: Grrravy, a dry dog food that produces a gravy when water is added to it, and Hearty Chews, a soft treat for dogs. Longs, Fedco, Venture, Fay's and F&M have all promoted Carnation's new high margin Grand Gourmet, described by one buyer as “an ultra gourmet canned dog food that looks like beef stew. Because it's expensive and positioned as a gourmet pet food, we can get a better margin from it even when we promote it,” he said.

Sources from many of these chains say the promotions were successful and at least Wal-Mart and Zayre's are now adding the Purina items to their everyday department.

Bonus packs are also getting more play this year. Last March, Zayre's promoted Quaker's special 30 pack for Gravy Train. One manager says most stores sold through in less than two months.

Some chains say they are getting more aggressive with pricing in this category to compete with increased competition from wholesale clubs and deep discount drug stores as well as food chains.

However, others say they are looking for longer margins to increase their bottom line profits. There does not seem to be an overall trend in this area, however, the pricing still seems primarily determined by local competitive situations.

In this past year, the warehouse clubs have more than doubled their sales of pet foods, sources say. Today just about every major chain from Sams through Price Saver stocks pet foods everyday, and they carry everything from individual cans of cat food to cases of cat food and 50-lb. bags of dry dog food.

Mother's Day fragrance sales could stand promotional boost

Chain drug stores had a simple approach to the fragrance category last Mother's Day.

According to a *Drug Store News*-sponsored audit of 415 chain drug stores, most chains did very little to prompt gift sales of fragrances at Mother's Day, and chains did even less to try to capture early sales for Father's Day fragrance gifts.

Even though chains weren't very aggressive with fragrances at Mother's Day, most buyers said the category did "all right for them" in May. Nielsen Marketing Services reports that sales for the May-June period were up about 2 percent. In contrast, fragrance sales were either flat or down for the two periods just before May-June.

Most buyers told *Drug Store News* they consider Mother's Day and Father's day "minor holidays" which aren't particularly conducive to generating incremental fragrance sales.

"People don't tend to buy fragrances that much as gifts at holidays like Mother's Day, Valentine's Day, or Father's Day," said one buyer. "They seem to be going more for either candy or apparel or they go for larger-ticket purchases like stereos or microwaves."

"There's a great deal less out there than there is at Christmas," said the vp-merchandising for a major northeastern drug drug. "It's not driven by consumer demand as it is at Christmas. At Mother's Day, people are thinking about getting Mom out of the house and going out to eat. The result is that there's just a marginal opportunity for selling fragrances at this time of the year."

The average chain drug store, we found, only increased its linear footage for fragrances by 29 percent at Mother's Day, compared to a 79 percent increase at Christmas. Minneapolis-based SPAR Marketing Research, which conducted the chainwide fragrance audit for us on April 21, 1988, reported that the total amount of linear feet for fragrances in the 415 stores surveyed was 32,324.

SPAR found that the stores in our audit gave fragrances another 9,502 linear feet for promotional displays in mid-April, an increase of 29 percent over everyday allocations.

Through SPAR, we also found that at the Mother's Day promotional period, there were 47 percent fewer stores displaying fragrances off-shelf than there were at Christmas.

And the stores that did display fragrances at Mother's Day gave the brands they highlighted much less exposure than they had given them at Christmas.

At Christmas, the average drug chain increased its total linear feet for brands like Forever Krystle, Lady Stetson and Chantilly by 80 percent, 122 percent, and 106 percent, respectively. At Mother's Day, these same brands were given much smaller linear feet increases of 43 percent, 49 percent, and 64 percent, respectively.

Several buyers and merchandising executives said they felt this rather conservative approach to fragrance merchandising at Mother's Day was justified by the "limited nature" of the holiday.

One merchandising vp for a major midwestern drug chain told *Drug Store News* his stores do less fragrance merchandising at Mother's Day because "while it's a good holiday for drug stores, it's not that important for fragrances.

"We sell a ton of candy at Mother's Day," he said, "and we do a lot with last minute sales of low-end merchandise, but we only get slight movement from fragrances."

Several sources pointed out that Mother's Day does not generate as much traffic as Christmas and so it is much harder to capture impulse sales. One buyer also said that he doubts if shoppers come into drug stores at Mother's Day intending to buy a fragrance as a gift.

Some retailers who helped us interpret SPAR's findings felt that there really isn't much that can be done to

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Space allocations for fragrances at drug chains at Mother's Day vs. Christmas

Event	Average size of everyday fragrance department (avg. linear ft.)	Additional promotional display space (avg. linear ft.)	% increase in total linear ft.
Measured for Mother's Day '88	78.8	30.3	29%
Measured for Christmas '87	85.8	75.1	79%

Source: Drug Store News/Spar Marketing Services

Comparison of select chain drug store strategies for merchandising Xia Xiang at Mother's Day

(Percent of stores with the following types of displays)

Chain	% with endcaps	% with counter displays	% with island displays	% with expanded shelf space
CVS	0.0%	0.0%	100.0%	0.0%
Eckerd	0.0	0.0	100.0	0.0
Revco	0.0	0.0	0.0	0.0
Rite Aid	0.0	0.0	0.0	0.0
Sav-on	0.0	60.0	20.0	20.0
Walgreens	0.0	0.0	100.0	0.0
Longs	0.0	25.0	62.5	25.0
PayLess	60.0	0.0	20.0	20.0
Thrifty	100.0	0.0	0.0	0.0

Source: Drug Store News/Spar Marketing Services

Methodology of SPAR study

At the request of *Drug Store News*, SPAR Marketing Services, an Eden Prairie, Minn.-based company that specializes in in-store data collection, audited the fragrance departments of 415 chain drug stores in the top 20 metro markets.

The survey was done on Thursday, April 21, and it was designed to determine the following:

- How much extra display space did the average chain drug store give fragrances at Mother's Day?
- What were the most popular types of displays for merchandising fragrances: islands, endcaps, counter displays or expanded shelf allocations?
- What percent of chain drug stores merchandised their fragrances under glass at Mother's Day?
- How are some of the major brands displayed at Mother's Day? How much expanded space are they given in the average chain drug store, and where are they generally displayed?
- What were some of the most productive brands at Mother's Day, i.e., the brands that generated the highest sales within the space allocations they were given?
- When did the average chain drug store put up its fragrance displays for Mother's Day, and how many stores supported those displays with point-of-purchase aids? and
- How did the chains with the strongest cosmetics/fragrance programs treat the fragrance category at Christmas? How did Walgreens, Longs and CVS merchandise select brands?

We shared the data that SPAR collected for us with merchandisers and buyers for eight of the industry's top drug chains.

Our analysts included four vps-merchandising for chains in the top 10, one president of a small regional chain based in the northeast, and three cosmetics/fragrance buyers.

We hope their opinions on our report will be useful to any retailer who would like to find new ways to maximize overall sales in the fragrance category, and especially during "minor holidays" like Mother's Day and Father's Day, which we believe are currently "neglected opportunities" for generating incremental fragrance sales.

How Longs Drug merchandised select women's fragrances last Mother's Day

(Percent of stores using these types of displays)

Brand	% under glass	% endcap	% counter	% island	% extra shelf space	% with POP
Aviance	22.2%	25.0%	0.0%	50.0%	25.0%	18.8%
Chantilly	25.0	0.0	28.6	71.4	28.6	0.0
Charlie	18.8	20.0	40.0	40.0	20.0	31.3
Coty Musk	10.0	0.0	0.0	100.0	50.0	0.0
Deborah ScentSational	100.0	0.0	0.0	0.0	0.0	0.0
Emeraude	18.8	20.0	0.0	60.0	20.0	6.3
Enjoli	20.0	0.0	0.0	80.0	20.0	0.0
Forever Krystle	31.3	0.0	28.6	71.4	14.3	6.3
Total Glorious	42.9	0.0	20.0	40.0	40.0	0.0
Glorious Eaudet	38.5	0.0	0.0	100.0	0.0	0.0
Glorious Perfume	50.0	0.0	25.0	25.0	50.0	0.0
Intimate	14.3	0.0	0.0	0.0	100.0	0.0
Jontue	20.0	0.0	0.0	100.0	0.0	0.0
Jungle Gardenia	25.0	0.0	0.0	0.0	0.0	0.0
Lady Stetson	28.6	20.0	20.0	60.0	0.0	6.3
Le Jardin de Max Factor	31.3	0.0	0.0	100.0	0.0	0.0
Primo	0.0	75.0	0.0	50.0	0.0	12.5
Scoundrel	13.3	0.0	0.0	0.0	0.0	0.0
Vanderbilt	40.0	14.3	28.6	42.9	42.9	0.0
Xia Xiang	25.0	0.0	25.0	62.5	25.0	12.5
All women's fragrances	**50.0**	**40.0**	**50.0**	**70.0**	**50.0**	**43.8**

Source: Drug Store News/Spar Marketing Services

SPAR Mother's Day fragrance study

Mother's Day fragrances

Continued from page 133

turn Mother's Day into a fragrance selling opportunity. However, others thought that fragrance sales could be increased if manufacturers and retailers worked together on making this goal a priority.

One vp said that trying to sell more fragrances at Mother's Day would be "going against the trend of the market.

Many people believe fragrance sales could be increased if suppliers and retailers worked together and made it a priority.

"The customer sets the tone," he said. "If they were ready to buy fragrances as a they'd buy from basic stock. But they're not. We get a little bump in fragrance sales at Mother's Day and an even smaller bump at Father's Day, but it's not much. Christmas is our event. In our chain, we do half of our fragrance business in the Christmas quarter."

A source for a major chain based in the Southeast said that one of the reasons that Mother's Day is less of a drug store event these days is because it's more common for parents to live much further away from their adult sons and daughters.

"It's not as common now for families to get together at Grandma's house to celebrate Mother's Day," she said. "Instead, people mail their gifts, so it's a great season for flowers and cards, but it's become much less important for fragrances.

"Maybe we could do more with fragrances at Mother's Day if the manufacturers were to create a gift set that would include a mailing envelope. But otherwise, I don't think Mother's Day will ever become a strong fragrance event again, and I'm just as glad the manufacturers aren't sending us a lot of gift sets for the season. I doubt they'd sell."

Other sources, however, felt that maybe drug stores could get more incremental sales of fragrances at Mother's Day if manufacturers were to do more to hype and advertise the category on these occasions.

"The manufacturers need to do more at this time of year to encourage a fragrance sale," one buyer said. "If someone sees a nice bonus package or a gift set at a reasonable value, they may stop and think 'Hey, that's a nice size and a nice package and if I buy it, I can also save some money.' "

"We can't build displays if they don't hype their brands with advertising first," said another buyer for a Midwest drug chain. "It would be crazy."

The president and cosmetics buyer for a small regional chain based in the Northeast said they know they can capture "additive sales" for fragrances at Mother's Day, but doing so requires extra efforts on the company's part.

This chain has developed a series of strategies for getting gift sets on display during what it calls the "additive holidays" like Mother's Day, Father's Day and Valentine's Day.

For one thing, it creates its own gift sets by buying little wicker baskets and filling them with a selection of fragrances and line extensions such as dusting powder or small, decorative soaps.

It will also customize a basket for its customers, and it says this strategy, which it has followed for two years now, has helped it generate both impulse and planned sales during the smaller holidays.

This same chain also uses "remnants" of gift sets left over from Christmas and Valentine's Day to put out at Mother's Day and Father's Day, and it also takes advantage of manufacturer pre-packs featuring strong basic stock brands.

"I don't think the manufacturers necessarily have to give us more gift sets at these types of holidays," says the chain president, "but I would prefer to see more basic stock in a shipper that accents a gift-giving opportunity."

Sources also agreed that fragrances may need more space to perform better during the minor holidays.

One vp said that increasing display space for fragrances just by 29 percent wouldn't make or break the category.

"If your space overall just increases by 29 percent, you'll probably sell just as much as you normally would have anyway. It's not a good test of what fragrances could do at Mother's Day if we did do something aggressive to merchandise them."

In the end, though, a consensus wasn't reached on whether drug stores could or could not get better sales by doing more to hype fragrances during the minor holidays.

Half of the retailers who were "our experts" on interpreting the SPAR findings felt that chains were already maximizing fragrance sales during the smaller holidays, and anything more would probably result in overstocks or poor sell-throughs.

The other half thought it might be possible to do more for fragrance sales if the manufacturers were to hype the category during the Mother's Day, Father's Day and Valentine's Day periods.

Some suggested improving gift sets designed to be sent through the mail, in order to compete with traditional gifts like greeting cards and flowers.

A vp of a chain based in the Northeast argued the smaller holidays would get more merchandising support from retailers "if the manufacturers did more to hype them.

"But you don't see many manufacturers bringing out special displays or special value packs for Mother's Day," he said. "And I don't see a lot of advertising geared to building demand for the brands at this period either.

"So there's no reason to give the category that much more off-shelf display space if the manufacturers aren't getting the consumers psyched up to want to buy their products."

How Walgreens merchandised select women's fragrances last Mother's Day

(Percent of stores using these types of displays)

Brand	% under glass	% endcap	% counter	% island	% extra shelf space	% with POP
Aviance	46.4%	0.0%	100.0%	0.0%	0.0%	0.0%
Chantilly	29.5	14.3	10.7	71.4	7.1	20.5
Charlie	25.0	0.0	50.0	25.0	25.0	0.0
Coty Musk	45.8	100.0	0.0	0.0	0.0	0.0
Deborah ScentSational	18.2	53.3	0.0	60.0	6.7	18.2
Emeraude	50.0	9.5	0.0	85.7	4.8	9.1
Enjoli	52.4	4.8	9.5	71.4	14.3	6.8
Forever Krystle	33.3	13.6	13.6	63.6	9.1	18.2
Total Glorious	88.1	22.2	44.4	22.2	11.1	4.5
Glorious Eaudet	84.4	25.0	50.0	12.5	12.5	2.3
Glorious Perfume	100.0	0.0	50.0	50.0	0.0	2.3
Intimate	34.9	0.0	0.0	33.3	66.7	2.3
Jontue	30.2	0.0	33.3	33.3	33.3	2.3
Jungle Gardenia	61.5	0.0	0.0	100.0	0.0	0.0
Lady Stetson	30.2	15.4	3.8	69.2	19.2	13.6
Le Jardin de Max Factor	25.0	0.0	0.0	66.7	33.3	0.0
Primo	27.9	25.0	0.0	62.5	12.5	4.5
Scoundrel	28.9	0.0	0.0	33.3	66.7	0.0
Vanderbilt	83.7	4.5	54.5	50.0	9.1	18.2
Xia Xiang	32.6	0.0	0.0	100.0	0.0	0.0
All women's fragrances	**90.9**	**28.6**	**45.2**	**81.0**	**19.0**	**50.0**

Source: Drug Store News/Spar Marketing Services

How CVS merchandised select women's fragrances last Mother's Day

(Percent of stores using these types of displays)

Brand	% under glass	% endcap	% counter	% island	% extra shelf space	% with POP
Aviance	7.7%	0.0%	14.3%	71.4%	14.3%	12.5%
Chantilly	4.3	0.0	10.0	60.0	30.0	8.3
Charlie	0.0	0.0	12.5	62.5	25.0	4.2
Coty Musk	0.0	0.0	0.0	66.7	33.3	4.2
Deborah ScentSational	0.0	0.0	0.0	0.0	0.0	0.0
Emeraude	4.3	12.5	12.5	50.0	37.5	8.3
Enjoli	4.3	0.0	0.0	100.0	0.0	0.0
Forever Krystle	4.3	10.0	0.0	80.0	10.0	12.5
Total Glorious	0.0	0.0	0.0	100.0	0.0	0.0
Glorious Eaudet	0.0	0.0	0.0	100.0	0.0	0.0
Glorious Perfume	0.0	0.0	0.0	0.0	0.0	0.0
Intimate	4.5	0.0	0.0	80.0	20.0	4.2
Jontue	0.0	0.0	0.0	75.0	25.0	4.2
Jungle Gardenia	0.0	0.0	0.0	50.0	50.0	0.0
Lady Stetson	4.3	8.3	8.3	66.7	25.0	12.5
Le Jardin de Max Factor	0.0	0.0	0.0	0.0	0.0	0.0
Primo	0.0	13.3	0.0	80.0	20.0	25.0
Scoundrel	6.7	0.0	0.0	50.0	50.0	4.2
Vanderbilt	0.0	0.0	25.0	75.0	0.0	4.2
Xia Xiang	0.0	0.0	0.0	100.0	0.0	0.0
All women's fragrances	**5.2**	**15.8**	**15.8**	**73.7**	**15.8**	**41.7**

Source: Drug Store News/Spar Marketing Services

A display case of fragrances at the Topeka, Kan., Hypermart.

SPAR Mother's Day fragrance study

Retailers analyze fragrance space allocations in stores

For drug store retailers, the most popular fragrances at Mother's Day among those we tracked were Chantilly, Vanderbilt, Charlie and Forever Krystle. These were the fragrances that got the most display space as measured in total linear feet.

Interestingly, Chantilly and Forever Krystle got almost as much display space at Mother's Day as they had at Christmas.

Most drug stores gave the brands we tracked substantially less off-shelf display space at Mother's Day compared to Christmas, but Chantilly's off-shelf display allocations were only down by 14 percent and Krystle's were only down by 20 percent.

Vanderbilt and Charlie's Mother's Day display space were down from Christmas by 37 percent and 39 percent, respectively.

The only two fragrances to get more display space in the stores at Mother's Day than at Christmas were Deborah's ScentSational Scents, which are alternative designer fragrances, and the newest scent from Charles of the Ritz, Xia Xiang.

Some of the retailers who helped evaluate the SPAR findings reasoned that Xia Xiang was given expanded space at Mother's Day because the brand did exceptionally well at Christmas even with relatively limited distribution.

Retailers felt the allocations for Chantilly, Vanderbilt and Charlie were justified because of their popularity, but they thought that Lady Stetson, because it is such a strong seller, deserved more total feet than the brand had been given at Mother's Day.

However, our retailers also pointed out that merchandisers have to consider more than market share when they allocate off-shelf display space to any particular fragrance. "Chantilly had four or five promotional programs available for the Mother's Day period," one buyer recalled, "while Jungle Gardenia just had one, and Vanderbilt had about one or two.

"When I look at promotional opportunities for fragrances, I have to look at the programs because my customers want to see something special. They want a value, and to get an incremental sale at an event like Mother's Day, I need a good program because I don't have a captive audience at this holiday. People aren't coming into my stores looking to buy a fragrance as they do at Christmas."

Another buyer for one of the major deep discount drug chains said that it made good marketing sense that Chantilly was so prominently displayed during the Mother's Day sales period.

"Chantilly's allocations make sense because the brand has been around so long," she said. "It's more of a traditional fragrance. Many women can remember their grandmothers using Chantilly. It's not geared to as young a market as say Vanderbilt or Lady Stetson."

There were two alternative designer scents among the fragrances tracked: Primo and Deborah's ScentSational Scents.

Primo was in nearly 80 percent of all the stores audited and it was given a generous allocation of space, 662 total linear feet. However, that was down 43 percent from Primo's allocations at Christmas, which our sources said made sense.

"Many shoppers don't buy the ADFs to give as gifts," one buyer pointed out. "They are more commonly a self purchase."

ScentSational Scents was given more space in the stores that displayed it than it had been given at Christmas, but the line was in a much smaller number of total stores than the other brands we audited.

Several buyers, in fact, said they were cutting back on space for alternative designer fragrances. "The category is not as strong as it once was," said the buyer for a major midwestern chain. "We've cut back and right now I'm only carrying a few select SKUs."

Not too surprisingly, men's brands were not given much display space in April.

Jovan Musk got the most display space in mid-April, and it could be because the stores were hoping to pick up early Father's Day sales, and also because Beecham has been sending out attractive pre-packs of Jovan Musk to complement stepped-up advertising for the brand.

The original Pierre Cardin fragrance got the second highest space allocation in mid-April, which was surprising at first, until several buyers explained that the Cardin brand has been doing much better under Shulton's management.

Several sources said Shulton has been putting more "creativity" behind the brand, and its marketing hasn't been as "stodgy" as it has been in earlier years.

The same was true for Adidas. Several buyers say Adidas sales have been picking up, and one source said the brand's sales in her deep discount drug stores were "very strong.

"It's because of the interest in the Olympics, I think," she said. "They have just done an excellent job of advertising Adidas and tying it into the Olympics."

However, sources also felt that some men's fragrances, particularly Night Spice and Iron, didn't seem to have gotten enough space based on their relatively strong launches and their general success at Christmas.

Our sources thought the allocations for some of the other leading brands, Chaps, Stetson and English Leather Cologne, however, were "right on target."

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SPAR Mother's Day fragrance study

Comparison of select chain drug store strategies for merchandising Lady Stetson at Mother's Day

(Percent of stores with the following types of displays)

Chain	% with endcaps	% with counter displays	% with island displays	% with expanded shelf space
CVS	8.3%	8.3%	66.7%	25.0%
Eckerd	8.3	8.3	91.7	0.0
Revco	30.0	10.0	60.0	10.0
Rite Aid	0.0	0.0	87.5	12.5
Sav-On	0.0	0.0	100.0	0.0
Walgreens	15.4	3.8	69.2	19.2
Longs	20.0	20.0	60.0	0.0
PayLess	50.0	0.0	37.5	12.5
Thrifty	9.1	36.4	54.5	9.1

Source: Drug Store News/Spar Marketing Services

*The most productive women's fragrances**

(The relationship between share of dollar sales and average space allocations. An index of 100 is average. Anything higher than 100 shows above average productivity.)

Brand	Efficiency index
Jontue	167.3%
Charlie	156.8
Vanderbilt	149.1
Le Jardin de Max Factor	144.2
Intimate	135.1
Enjoli	120.0
Forever Krystle	115.4
Lady Stetson	105.2
Primo	103.3
Total Glorious	102.3
Scoundrel	91.9
Xia Xiang	63.7

* Based on dollar share for the 12 months ending March/April 1988.

Source: Drug Store News/Spar Marketing Services

*The most productive men's fragrances**

(The relationship between share of dollar sales and average space allocations. An index of 100 is average. Anything higher than 100 shows above average productivity.)

Brand	Efficiency index
Old Spice	228.0%
Stetson	180.0
Carrington	140.0
English Leather	135.5
Total Chaps	129.4
Pierre Cardin Original	104.7
Jovan Musk	103.4
Brut	98.5
Iron	68.1
Night Spice	62.7

* Based on dollar share for the 12 months ending March/April 1988.

Source: Drug Store News/Spar Marketing Services

The women's brands that get the most space

(Mother's Day total actual space allocations compared to total space allocations last Christmas)

Brand	Selected brands ranked by actual total linear ft. and by share of shelf space.			
	Linear ft., Mother's Day	Share of shelf, Mother's Day	Linear ft., Christmas	Spare of shelf, Christmas
Chantilly	1212	4.1%	1407	4.1%
Vanderbilt	1116	3.8	1770	4.4
Forever Krystle	953	3.2	1190	2.9
Charlie	948	3.2	1545	3.8
Jontue	764	2.6	1200	3.0
Emeraude	702	2.4	N.A.	N.A.
Le Jardin de Max Factor	701	2.4	1407	3.5
Primo	662	2.2	1160	2.9
Lady Stetson	650	2.2	1007	2.5
Enjoli	619	2.1	854	2.1
Total Glorious	494	1.7	549	1.4
Scoundrel	453	1.5	615	1.5
Intimate	440	1.5	674	1.7
Xia Xiang	420	1.4	370	0.9
Aviance	409	1.4	623	1.5
Coty Musk	349	1.2	N.A.	N.A.
Deborah Scent Sational Scents	148	0.5	114	0.3
***Jungle Gardenia**	93	0.3	180	0.4

*Results based on distribution in less than 30% of all stores surveyed.

N.A. = Not available.

Source: Drug Store News/Spar Marketing Services

*The men's brands that get the most pre-Father's Day display space**

(As measured in April '88 vs. Nov. '87)

Brand	Linear ft. April ' 88	Share of shelf space	Linear ft. Nov. '87	Share of shelf space
Jovan Musk	667	5.5%	990	4.8%
Original Pierre Cardin	613	5.1	914	4.4
Chaps Original	564	4.7	926	4.4
Stetson	538	4.4	1625	7.8
English Leather Cologne	518	4.3	1026	4.9
Old Spice Cologne	446	3.7	1441	6.9
Brut Cologne	418	3.5	1109	5.3
Carrington	389	3.2	679	3.3
Adidas	380	3.1	437	2.1
Chaps Musk	334	2.8	548	2.6
Iron	320	2.6	467	2.2
Pierre Cardin Musk	205	1.7	279	1.3
Night Spice	193	1.6	280	1.3
Dallas	122	1.0	202	1.0

* Selected brands ranked by actual total linear ft. and by share of shelf space

Source: Drug Store News/Spar Marketing Services

Study eyes brands that give best sales for allocated space

At Mother's Day, chain drug stores got the highest productivity out of Jontue, Charlie, Vanderbilt, Le Jardin de Max Factor and Intimate.

Of all the women's brands tracked, these were the ones that yielded the highest sales in the space allotted during the Mother's Day sales period.

The study's index correlated share of sales in the May-June period to share of shelf allocations on the day of audit, April 21. An index of 100 was average. Any brand that scored 100-plus in the index was super-efficient, generating higher sales in space allocated. Any brand with less than a 100 index was deemed disappointing.

Glorious, Primo and Lady Stetson were slightly above average. Their sales, as measured by numbers provided by manufacturers, were slightly better than the amount of space they were given in the 415 stores SPAR audited.

Scoundrel and Xia Xiang, however, were under-productive at Mother's Day. Based on the amount of space they were given in the stores audited, they failed to generate the dollar sales that would be equivalent to space allocations.

The retail drug merchants *Drug Store News* asked to help evaluate our findings said that Scoundrel hasn't been a particularly strong seller, and that its market niche doesn't make it a logical choice for a Mother's Day fragrance. Chantilly, Vanderbilt, Jardin and Intimate were considered much more popular selections for Mother's Day gifts because they were more "established" and more "traditional."

Xia Xiang, several sources pointed out, did very well last Christmas and may have been given too large an increment of additional display space for the spring period.

"Because it's still building its base, it's probably better off in less space," said one source. "It looks like for this period, it was just given more space than it needed."

Among the men's brands tracked, Old Spice was the runaway leader in productivity. Stetson, Carrington, English Leather and Chaps also did well, in that order.

Pierre Cardin and Jovan Musk were slightly above average. Brut was slightly down, and Iron and Night Spice, both new scents, were disappointing.

Sources said Old Spice sells well year-round, and Cardin and Jovan Musk brands have been growing.

A customer makes her women's fragrance selection at a Perry Drug unit. Research shows that chain drug stores got their highest productivity for Mother's Day sales out of Jontue and Charlie.

SPAR Mother's Day fragrance study

Islands, free-standing displays get high marks

Fragrance is not given as much off-shelf display space at Mother's Day as it gets at Christmas, but the retailers who evaluated this latest fragrance audit said the space that fragrances did get at Mother's Day was better allocated than what the category was given at Christmas.

At Mother's Day, more stores used island and free-standing displays than had been the case at Christmas. Also, fewer stores simply gave select brands expanded shelf space for display, and fewer used endcaps and counters.

The retailers who previewed the SPAR findings told *Drug Store News* that island and free-standing displays are the best "showcases" for fragrances at holiday periods because they demand shopper attention and help brands "stand out in an eye-catching way."

One source said it was virtually futile to try to generate incremental sales through expanded on-shelf allocations. "At Mother's Day, shoppers aren't necessarily looking for fragrances as a gift, and if you just merchandise it on the shelf, it will never stand out, [and] never attract an impulse sale because no one will notice it," said one vp-merchandising.

Fragrances under glass

Most buyers who had a chance to comment on the audit results were discouraged by the large number of stores that displayed fragrances under glass at Mother's Day.

The audit showed that 64 percent of stores had some women's fragrances under glass during the Mother's Day period, including such mass brands as Charlie, Forever Krystle, Intimate, Jontue, Lady Stetson, Le Jardin, Vanderbilt, Xia Xiang, and even in some cases, alternative designer fragrances like Primo and Deborah.

"If it's an expensive designer fragrance, then I can see putting it under glass," said the buyer for a deep discount drug chain which generates a hefty volume in fragrance sales, "but it doesn't make any sense to put brands like Aviance or Intimate or Jontue under glass. It inhibits sales.

"If you want to get an impulse sale, then you have to have the selection out for the customer," she added. "Or if you must put it under glass and behind the counter, then you have to have someone always there just to service that department."

Sources also said they were glad to see that just 30 percent of the stores audited used endcaps for fragrances at Mother's Day. One source said that at the Mother's Day period, "endcaps are better used for other types of merchandise like candy, small gifts and appliances."

Retailers also expressed satisfaction that most stores in the audit managed to get Mother's Day displays up early enough for the holiday. Indeed, the audit showed that 74 percent of stores had displays up by April 16, several weeks prior to Mother's Day, and nearly 98 percent of all stores had them up by April 23.

However, at Mother's Day, stores were much less professional about using POP displays. SPAR reported that just one-third of stores used POP with at least one display, compared to 50 percent at Christmas.

"A display without some signing or POP is just not as effective as it could otherwise be," said one vp for a Northeastern chain. "I don't think it bodes well that so few displays had POP. You lose the chance to catch an impulse sale without POP. The display just doesn't stand out as well."

The support chain drug stores give select women's brands at Mother's Day

(Percent of stores using these specific types of displays)

Brand	Percent of stores with promotional displays	Percent using this type of display			
		Endcap	Counter	Island	Extra shelf space
Forever Krystle	40.4	19.3	13.9	57.2	16.9
Chantilly	39.4	26.5	14.2	54.9	12.3
Lady Stetson	38.2	19.1	12.7	56.7	16.6
Emeraude	38.2	16.6	14.0	59.2	20.4
Primo	37.5	18.8	10.4	65.6	13.6
Vanderbilt	31.6	14.6	28.5	50.0	18.5
Enjoli	29.7	13.9	13.9	63.9	14.8
Le Jardin de Max Factor	6.8	18.2	14.5	54.5	17.3
Charlie	25.1	21.4	18.4	49.5	21.4
Jontue	23.6	20.6	17.5	46.4	22.7
Glorious	17.0	20.0	25.7	40.0	24.3
Xia Xiang	16.5	19.1	19.1	52.9	16.2
Aviance	15.3	19.0	14.3	57.1	28.5
Coty Musk	15.1	24.2	21.0	46.8	17.7
Intimate	12.7	15.4	13.5	55.8	21.2
Scoundrel	9.5	12.8	33.3	35.9	20.5
Deborah ScentSational	6.3	38.5	11.5	53.8	11.5
Jungle Gardenia	4.1	5.9	0.0	58.8	41.2

Source: Drug Store News/Spar Marketing Services

At Mother's Day, more stores used island and free-standing displays than had been the case at Christmas. Also, fewer stores simply gave select brands expanded shelf space for display.

How the average chain drug store used POP at Mother's Day

(For all women's fragrance brands surveyed)

	Percent of stores that had at least one display with POP
Mother's Day '88	34.3%
Christmas '87	50.1%

Source: Drug Store News/Spar Marketing Services

Percent of chain drug stores which got their '88 Mother's Day displays up early*

Week in which Mother's Day displays were up by:	Percent of stores with displays up at this time
3/31/88	4.5%
4/9/88	30.7
4/16/88	74.4
4/23/88	97.5

* Based on 199 stores, or 48% of all stores audited.

Source: Drug Store News/Spar Marketing Services

How chain drug stores supported women's fragrances

(Percent of stores using these specific types of displays at Mother's Day vs. Christmas '87)

	Endcap	Counter	Island or free standing	Expanded shelf space
Mother's Day	34.6%	30.7%	63.8%	28.5%
Christmas	44.0%	34.3%	59.7%	41.4%

Source: Drug Store News/Spar Marketing Services

Percent of chain drug stores that merchandise some fragrance brands under glass

	Mother's Day '87	Christmas '87
All fragrances	69.5%	66.4%
All women's fragrances surveyed	64.4	62.7
All men's fragrances surveyed	48.2	45.5

Source: Drug Store News/Spar Marketing Services

SPAR Mother's Day fragrance study

Comparison of endcap display activity for Mother's Day '88 vs. Christmas '87

Brand	% of stores displaying on endcaps Xmas '87	% of stores displaying on endcaps Mother's Day '88	% increase/ (decrease)
Deborah ScentSational	6.5%	38.5%	492%
Chantilly	16.0	26.5	66
Xia Xiang	16.0	19.1	19
Lady Stetson	16.2	19.1	18
Primo	16.2	18.8	16
Aviance	16.6	19.0	14
Glorious Perfume	9.7	10.5	8
Enjoli	13.1	13.9	6
Forever Krystle	19.2	19.3	1
Jontue	21.1	20.6	(2)
Le Jardin de Max Factor	20.1	18.2	(9)
Glorious Eaudet	25.8	22.4	(13)
Total Glorious	23.8	20.0	(16)
Charlie	27.2	21.4	(21)
Scoundrel	19.5	12.8	(34)
Intimate	23.9	15.4	(36)
Vanderbilt	22.9	14.6	(36)
Jungle Gardenia	9.6	5.9	(39)
Coty Musk	N.A.	24.2	N.A.
Emeraude	N.A.	16.6	N.A.

Source: Drug Store News/Spar Marketing Services

Comparison of under glass display activity for Mother's Day '88 vs. Christmas '87

Brand	% of stores displaying under glass Xmas '87	% of stores displaying under glass Mother's Day '88	% increase/ (decrease)
Xia Xiang	38.9%	48.3%	24%
Glorious Perfume	64.7	76.4	18
Aviance	38.3	43.0	12
Intimate	38.5	41.9	9
Scoundrel	41.6	43.7	5
Deborah ScentSational	25.9	26.9	4
Jungle Gardenia	42.7	44.2	4
Total Glorious	60.9	62.9	3
Forever Krystle	46.7	47.1	1
Jontue	43.0	43.2	0
Glorious Eaudet	59.2	58.9	(1)
Vanderbilt	58.4	58.1	(1)
Charlie	42.2	41.9	(1)
Enjoli	44.8	44.4	(1)
Chantilly	42.7	42.2	(1)
Lady Stetson	40.2	38.4	(4)
Le Jardin de Max Factor	44.1	41.6	(6)
Primo	37.0	34.9	(6)
Emeraude	N.A.	40.3	N.A.
Coty Musk	N.A.	40.0	N.A.

Source: Drug Store News/Spar Marketing Services

A summary of key findings from the SPAR study:

- The majority of all chain drug stores Mother's Day fragrance displays (74.4 percent) were up by April 16, 1988.

- 18 percent of the stores in our survey said they were not planning a Mother's Day display. However, some of these stores could or did have other promotional displays for fragrances.

- The total linear footage or the "everyday allotment" for the fragrance sections we measured for our Mother's Day audit was 32,324 linear feet. In preparation for the Mother's Day holiday, the stores we measured added another 9,502 linear feet for promotional display. This was a 29 percent increase in space for fragrances at Mother's Day, compared to a 79 percent increase at Christmas.

- The percent of stores displaying fragrances decreased substantially from Christmas to Mother's Day. For women's fragrances, there were 47 percent fewer stores displaying fragrances at Mother's Day, and there were 66 percent fewer stores displaying men's fragrances.

- Among the women's fragrances we selectively measured, Xia Xiang had the largest increase in both the number of stores carrying it and in regular shelf space expansion. It also had the smallest decrease in the numbers of stores displaying it.

- At Mother's Day, Chantilly had the best share of shelf space for women's fragrances. Vanderbilt came in second. Last Christmas, their roles were reversed. At Mother's Day, Chantilly took first place because it had the largest share of promotional displays. At Mother's Day, 6.4 percent of all displays went to Chantilly, compared to 3.2 percent for Vanderbilt.

Comparison of counter display activity for Mother's Day '88 vs. Christmas '87

Brand	% of stores displaying on counter, Xmas '87	% of stores displaying on counter, Mother's Day '88	% increase/ (decrease)
Glorious Perfume	6.5%	31.6%	386%
Total Glorious	9.5	25.7	171
Glorious Eaudet	10.1	24.1	139
Vanderbilt	12.7	28.5	124
Scoundrel	15.4	33.3	116
Charlie	12.7	18.4	45
Jontue	13.2	17.5	33
Enjoli	12.6	13.9	10
Lady Stetson	12.8	12.7	(1)
Intimate	13.6	13.5	(1)
Chantilly	15.6	14.2	(9)
Le Jardin de Max Factor	17.4	14.5	(17)
Forever Krystle	17.0	13.9	(18)
Xia Xiang	24.5	19.1	(22)
Aviance	19.2	14.3	(25)
Primo	16.2	10.4	(36)
Deborah ScentSational	28.3	11.5	(59)
Jungle Gardenia	9.6	0.0	(100)
Coty Musk	N.A.	21.0	N.A.
Emeraude	N.A.	14.0	N.A.

Source: Drug Store News/Spar Marketing Services

Comparison of island free-standing display activity for Mother's Day '88 vs. Christmas '87

Brand	% of stores displaying free-standing, Xmas '87	% of stores displaying free-standing, Mother's Day '88	% increase/ (decrease)
Aviance	41.1%	57.1%	39%
Primo	47.7	65.6	38
Forever Krystle	45.4	57.2	26
Intimate	44.3	55.8	26
Enjoli	52.8	63.9	21
Le Jardin de Max Factor	45.2	54.5	21
Lady Stetson	48.5	56.7	17
Chantilly	47.5	54.9	16
Vanderbilt	44.1	50.0	13
Xia Xiang	48.9	52.9	8
Charlie	46.3	49.5	7
Deborah ScentSational	52.2	53.8	3
Jungle Gardenia	57.7	58.8	2
Coty Musk	N.A.	46.8	N.A.
Emeraude	N.A.	59.2	N.A.
Jontue	47.4	46.4	(2)
Scoundrel	44.7	35.9	(20)
Total Glorious	51.4	40.0	(22)
Glorious Eaudet	50.6	37.9	(25)
Glorious Perfume	67.7	47.4	(30)

Source: Drug Store News/Spar Marketing Services

SPAR Mother's Day fragrance study

How the average chain drug store used POP

(For women's brands surveyed)

	% of stores that had at least one display with POP		
Brand	**Mother's Day**	**Christmas '87**	**% change**
Lady Stetson	12.4	16.6	(25%)
Primo	11.9	28.2	(58)
Forever Krystle	11.9	21.8	(45)
Emeraude	11.9	N.A.	N.A.
Chantilly	11.7	16.0	(27)
Le Jardin de Max Factor	9.0	22.4	(60)
Vanderbilt	8.5	22.9	(63)
Charlie	6.3	20.5	(69)
Coty Musk	5.6	N.A.	N.A.
Aviance	4.6	25.8	(82)
Jontue	4.6	15.4	(70)

Source: Drug Store News/Spar Marketing Services

PHOTO ELECTRONICS

Retailers should use every available nook and cranny for strong displays, but not so much that turns are sacrificed.

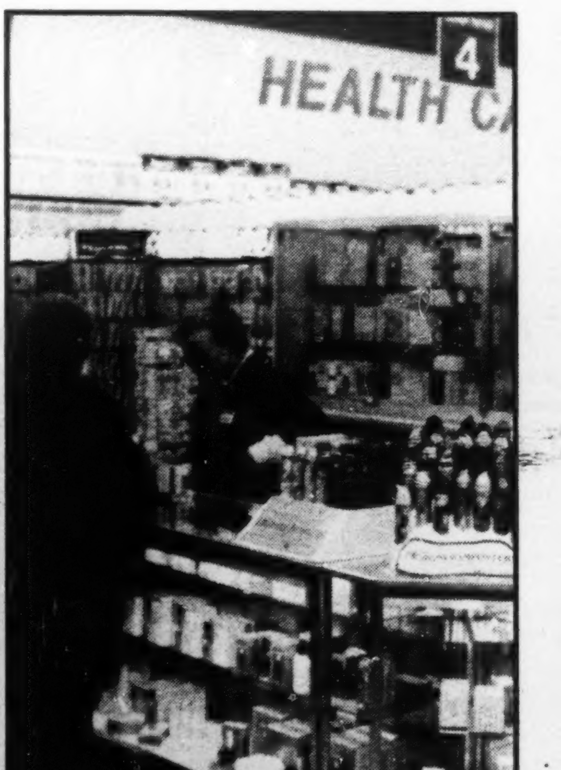
Some tips for merchandising fragrances:

1. Use every available nook and cranny for strong displays, but don't expand space so much that turns are sacrificed.

2. Only put the strongest brands on display, which buyers evaluate by the following:

- dollar market share on a year-round basis;
- the brand's share during the preceding holiday periods;
- the manufacturer's presentation for the products, including packaging, displays and POP materials; and
- the manufacturer's promotional support plans for the brand, such as print advertising, television exposure and sampling.

3. Constantly look for what may become exciting new products or an exciting relaunch of a mature and possibly flat brand.



Retailers should only display those brands that have passed criteria for (1) both year-round and holiday season performance, (2) packaging and (3) promotional support from the manufacturer.

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DRUG STORE NEWS®

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Grass blasts reimbursement as 'unfair and unprofitable'

By Barbara White

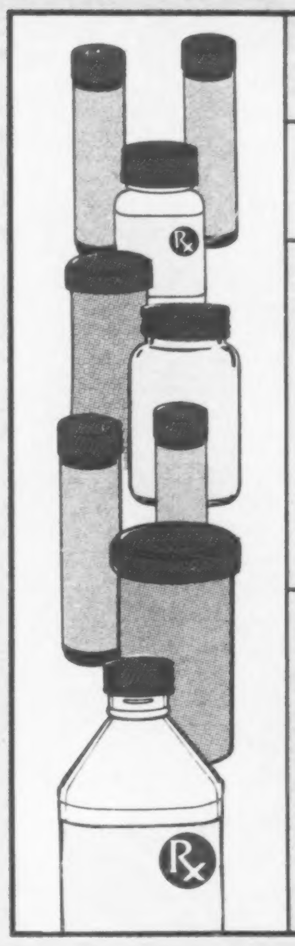
NEW YORK — Alex Grass, chairman and ceo of Rite Aid Corp., publicly challenged "unfair and unprofitable" prescription reimbursement levels set by some third-party plan administrators.

See "In the Market", page 4

In a press conference here, Grass also warned that the Shiremanstown, Pa.-based chain, which operates over 2,000 drug stores, will be more cautious before accepting new third-party plans.

Contracts offered by

See **Grass,** *page 69*



Anatomy of a third party script

	10% AWP discount third party	20% AWP discount third party
Average AWP[1]	$15.56	$15.56
Average fee at AWP[2]	3.00	3.00
Average selling price	18.56	18.56
Less: average AAC[3]	12.64	12.64
Less: AWP discount @ 10%[4]	1.56	@20% 3.11
Gross profit	4.36	2.81
Dispensing cost	5.20	5.20
Net Loss[5]	(0.84)	(2.39)

1. AWP is the Average Wholesale Price of the product set by the manufacturer.
2. Represents the $3.00 current average fee charged to a third party prescription.
3. AAC is the Actual Acquisition Cost of the prescription drug to the pharmacy based upon Rite Aid corporate buying power.
4. Represents the dollar discount at the assumed percentage rate off of AWP.
5. Net loss per prescription before income taxes.

Source: Rite Aid Corp. study

Revco stocks up on holiday cheer; supplies restored

By James Frederick

TWINSBURG, Ohio — Twelve weeks after filing for bankruptcy and facing the near-total collapse of its supply lifelines, Revco D.S. is filling its warehouses and stores with the inventory needed to prepare for the Christmas selling season.

The embattled chain, which entered Chapter 11 July 28, has restored inventory shipments from more than 95 percent of its vendors, executive vp-marketing Jim Adamson told *Drug Store News*. He attributes much of that to a recent credit agreement that assigns special creditors' status

See **Revco,** *page 69*

Chain closing 61 stores by November 5th

TWINSBURG, Ohio — Revco D.S. has closed 12 of its 29 drug stores in metro Detroit, including Store No. 1, and will close 49 other stores around the country by Nov. 5. However, the chain has no plans to close the 17 Revco stores that remain open in the Detroit market, according to a company spokesperson.

See **Closings,** *page 69*

Wal-Mart puts Dot deep discount chain on the block

By David Vaczek

BENTONVILLE, Ark. — Wal-Mart is saying "period" to Dot.

The giant discounter has offered to sell its 14-store Dot deep discount drug chain to at least two national drug chains recently, market sources told *Drug Store News*.

Phar-Mor, Drug Emporium, and F&M Distributors, the Midwest-based low-priced drug leaders, are seen as likely buyers.

A Wal-Mart spokesperson, unable to discuss any possible sale, said Wal-Mart plans no new Dots through 1989. The company had projected earlier it might add as many as nine Dots this year.

Two were added this year in the same sort of heartland metro markets Dot has favored since opening its first store in Des Moines, Iowa, in 1983. There are now five Dots in Kansas City, three in St. Louis, three in Des Moines, two in Wichita, Kan., and one in Lincoln, Neb.

Although some stores approach the $5 million annual sales level, Dot has largely suffered from a faulty location strategy that favors inexpensive, weak metro area sites, according to drug industry sources in Kansas City and St. Louis.

"They've tried to be mini-Wal-Marts," said one Kansas City insider. Sited poorly in the metro area, Dot's KC stores found they couldn't pull customers from a wide enough radius. Wal-Mart's discount stores count on dominating a 10- to 15-mile radius in their small town markets, the source contended.

DEEP
DISCOUNT
DRUGS

Dot is for sale because weak locations are driving inadequate volume, and the operation is a small one for Wal-Mart, sources said.

Also, "they lost a lot of vendor support" by pulling some merchandise from the Wal-Mart warehouses and subsequently shorting orders from local sales reps, the source maintained.

Weekly sales for stores averaging 20,000 to 22,000 square feet have ranged from $60,000 to $140,000, he estimated.

Locations in St. Louis are also "marginal," said Louis Glaser, executive vp-pharmacies division, Medicare-Glaser.

"It's quite competitive, and maybe they didn't do all the homework they should have," said Glaser.

Dot stores slashed SKUs by 25 percent in recent months to improve turns, a company source said. "From a sales standpoint, they really aren't doing that badly. From an operations standpoint, its really not worth it," he said. "This thing is small potatoes to them."

LATE NEWS

- DEERFIELD, Ill. — Walgreen Co. announced that the Haft family has requested federal clearance to buy at least $15 million of the drug chain's stock. Meantime, the Hafts express continued interest in Kroger, and their plans for Walgreens are unclear. Walgreen has a shareholder rights plan in effect and will resist a hostile takeover, chairman Charles R. Walgreen III said.

  Walgreen reported net income for the year ended Aug. 31 rose 25 percent to $129.1 million, from $103.5 million, on sales of $4.88 billion, up from $4.28 billion. Fourth quarter net rose to $31.9 million from $26.2 million, on sales of $1.20 billion, up from $1.08 billion.

- SHIREMANSTOWN, Pa. — Rite Aid said it plans to sell its 46.8-percent interest in Super Rite Foods. An investor group headed by Alex Grass, chairman of Rite Aid and Super Rite, some members of his family and some senior managers of Super Rite will propose to buy all of Super Rite's common stock.

California atty. gen'l sues retailers over tobacco product warnings

LOS ANGELES — The drug store industry's fastest-turning category, tobacco, has come under fire recently in California because many cigar and pipe tobacco products do not carry cancer warning labels.

Seven grocery retailers, the Thrifty drug chain and 25 tobacco companies were named in a lawsuit filed recently by the state attorney general's office because the defendants' warning efforts for cigars and pipe tobacco—called for by the state's Proposition 65—

See **Tobacco,** *page 69*

It remains to be seen whether California's Proposition 65 will prompt similar tobacco labeling efforts in other states.

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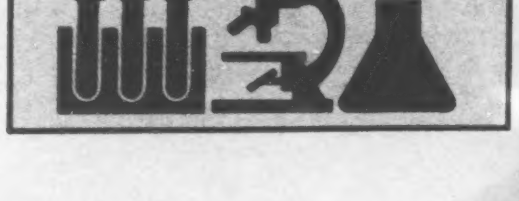

NEWS IN BRIEF

Genovese opening 1st deep discounter

CARLE PLACE, N. Y. — Genovese Drug Stores will open its first deep discount store here Oct. 26, across from the giant Roosevelt Field shopping mall and within blocks of a Rock Bottom unit.

The store, named Great American Drug Store, will be 15,000 square feet, said division head Paul Genovese, which is larger than conventional Genovese stores, but smaller than many deep discounters across the country.

Ansell recalls two lots of Lifestyles

DOTHAN, Ala. — Ansell Inc. is voluntarily recalling two lots of its 12-pack Lifestyles Extra Strength condoms with Nonoxynol-9, after Hawaii's Department of Health advised the company that a few condoms had weak spots in the reservoir end. The recall, the first in the company's history, is confined to lot numbers 6087254-C68E and 6087223-C57E, code number 2112. Retailers and distributors are advised to return the coded product to Ansell, 1500 Industrial Rd., Dept. A, Dothan, Ala. 36302.

Longs appoints Renner its gmm

WALNUT CREEK, Calif. — Longs Drug Stores has promoted Barry Renner to general merchandise manager, replacing Dale Bystrom, who joined Osco this summer. Renner has been with Longs since 1959, and during the last 17 years has held managerial positions at six Central California stores.

Bill's moves HQ to Benicia

BENICIA, Calif. — Bill's Drugs recently moved its headquarters here from Lafayette, where the chain had been run since its inception in 1959.

Revco fills two marketing slots

TWINSBURG, Ohio — Revco D.S. has appointed Guy L. Shirk director of advertising and promoted Brent L. Rodgers to director of special programs. Shirk, 44, previously vp and management supervisor at Hesselbart & Mitten of Akron, will be responsible for Revco's image, event and product advertising and media, photographic and print production operations.

Rodgers, 30, who joined Revco in 1976, moved up from supervisor of product presentation. His new responsibilities will include integration of advertising and marketing efforts into existing programs, such as in-store vendor promos and grand opening events.

Vons' headquarters moving

ARCADIA, Calif. — Vons announced it will move its headquarters here from El Monte. Vons has purchased, for an undisclosed amount, a 240,000-square-foot three-level May Co. department store retail site.

Vons spokeswoman Mary McAboy said the chain is currently operating out of three somewhat overcrowded El Monte locations, and with the addition of Safeway stores, the crowding problem has intensified.

Two of the current locations are owned. One includes a distribution center, and the third site is leased. She said Vons will continue to operate the DC and keep the company-owned sites. Some employees will move to the new site this month; the rest in January.

Company that IDs new products formed

NORWALK, Conn. — Group EFO Ltd., a consulting company that helps consumer product companies create and identify new products, opened here recently, according to Edward F. Ogiba, the company's founder and president.

"Identifying a truly innovative product is what marketing and the new product business is all about today," Ogiba, most recently managing director of Product Initiatives, said. "More than 80 percent. . . of all new products fail because. . . they do not create a point of difference for consumers."

Kroger nixes KKR's second bid and proceeds with restructuring

CINCINNATI — Kroger Co. may stay an independent retailer. Takeover specialist Kohlberg Kravis Roberts & Co. (KKR) cancelled its $5 billion buyout offer for the giant supermarket and combo store chain Oct. 11, after Kroger officials rejected the firm's second bid as inadequate.

Kroger is holding firm with its own defensive plan, which was announced after the Haft family put Kroger into play with its own $4.3 billion takeover offer last month.

KKR said it would pursue no further discussions with Kroger. "We can only conclude that Kroger's board of directors has decided that the company is not for sale, and that it is intent on proceeding with its restructuring," KKR announced in a statement. The buyout firm valued Kroger's plan at $53 to $56 a share, while Kroger has given it a per-share price tag of roughly $58.

Kohlberg earlier expressed "outrage" at Kroger's quick rejection of its last bid, which would have given Kroger shareholders $50 in cash, $11 in subordinated debentures and a small stake in the company for each share of stock. KKR had valued the offer at $64 a share, but Kroger chairman Lyle Everingham called Kroger's own restructuring plan for shareholders "a far superior alternative for Kroger than a sale of the company."

Kroger shareholders have reportedly launched at least four lawsuits challenging the company's decision to restructure rather than sell the chain.

Kroger's defensive plan

Under Kroger's plan, shareholders will be paid a cash dividend of $40 and subordinated debentures worth an estimated $8 a share, as well as "stub" shares in the surviving company. To help fund the restructuring—which will cost Kroger an estimated $4.6 billion and leave it heavily in debt—Kroger has already dismissed 300 headquarters employees and put many of its non-core operations on the selling block.

Kroger units being sold include 29 supermarkets in the Carolinas, the Florida Choice Food & Drug division, Fry's Food Stores in Northern California and the six Wellcome superstores.

If Kroger's defensive plan prevails against other potential suitors, the chain will have to cut its expansion and renovation activity "dramatically" in future years to meet debt payments, according to chain spokesman Paul Bernish. "We spent almost $2 billion over the last four years to build or expand 358 stores, but this restructuring will have a major impact on our future plans," he told *Drug Store News*. "Under the new plan, we're now projecting $150 million a year in expenditures for new and renovated stores between 1990 and 1993."

Bernish added that Kroger would remain in its major markets for the foreseeable future, rather than going outside for new business.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

NEW YORK, 1928 — A good rule to remember, when waiting on trade, is: "If a customer seems exceptionally gruff, it may be just a false front to cover up an unusually tender heart."

Or it may be a sense of humor expressing itself in a queer way. If a man can hand you a hot one and you toss it back to him in the right way, then he'll warm up to you. Usually you'll find his bark is worse than his bite.

50 years ago

WASHINGTON, D.C., 1938 — Thomas N. Beavers of Peoples Drug Stores, Washington, said at the National Association of Chain Drug Stores' annual convention that his company advises managers to join service clubs such as Rotary, Kiwanis, and so on, as well as the chamber of commerce. He spoke of a plan of using the store windows at intervals to show the wide range of goods of local manufacturers—a plan that has been effective in small cities.

40 years ago

VANPORT, Ore., 1948 — When disastrous floods struck the Northwest at the end of May and early in June, the drug chains got into action quickly to give aid. The chain drug stores in and on the fringes of the flooded area were closed for the Memorial Day holiday when Vanport, Ore., was overwhelmed. They quickly reopened and sent their stocks of first aid supplies where they were needed.

Rexall Drug in Los Angeles, 1,500 miles to the south, rushed nearly a ton of emergency drugs to an airfield to be flown to the survivors of the disaster. Drug stores used to be proud of the title of "the corner meeting place." They can feel far more proud of the deserved title of "the nation's first aid stations."

30 years ago

NEW YORK, N.Y., 1958 — Overheard in the stores. "I keep a supply of paper bags at the feminine hygiene counter for shy customers, and it's helped our volume. But here's the funny thing: most of those bags are being used by men, whose wives asked them to pick up a box of sanitary napkins. If I didn't have those bags there, a lot of men would refuse to do it."

20 years ago

INDIANAPOLIS, Ind., 1968 — Hook's antique drug store, which has been attracting considerable attention on its site on the Indiana State Fair grounds in Indianapolis, is virtually complete now with the addition of an antique soda fountain apparatus. Dating from 1875, the ornate marble box sports three spigots and syrup knobs, and there's plenty of room for ice inside. Jim Rogers, Hook's public relations director and "manager" of the antique store, paid $250, and he indicated that it is actually worth about $2,000.

10 years ago

CLEARWATER, Fla., 1978 — Less than three years after entering the highly competive Denver market, Jack Eckerd Corporation has called it quits and is pulling out. It is the second major drug chain to leave Denver; the first was Pay Less NW, which abandoned this market a year ago. Stewart Turley, chairman and president of JEC, announced that the 865-store chain had closed its nine Denver area stores at the end of last month.

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Vol. 10, No. 21 Oct. 24, 1988

Wacky weather plays havoc with sun care product sales

NEW YORK — Depending on location, sun care sales in chain drug stores this past season have been erratic. Some chains report growth as high as 20 percent to 25 percent while others say the category has been flat or only up moderately.

In some sections of the country, buyers say the weather is to blame for flat sales or just moderate growth. It's been rainy or unpleasant and people haven't had much need for tanning or protection products.

For some chains, part of the problem is that they haven't been able to keep pace with last year's incredible growth rates. A few chains told Drug Store News *that in 1987, their sun care sales were up in excess of 90 percent. Most buyers say there is no way they could better that growth this year, so they bought more conservatively, meaning at least 15 percent to 30 percent fewer orders than in 1987.*

In some states, pollution has hampered the public's access to public beaches, and to a certain extent, possibly even dampened the public's desire to even go near an ocean, and buyers say this too has hurt sales.

However, many buyers say they see some falloff in the public's enchantment with high-SPF protection products. Some buyers think the public is confused about "how high an SPF they should buy" and consequently need more guidance from the FDA.

Several buyers also say they think consumers are just staying out of the sun more so they're not buying as many sun care products.

On the other hand, several buyers also reported a great season. The weather was sunny and hot and their customers seemed to be flocking to the beach. When this was the story, most buyers said their category sales were up between 10 percent to 25 percent. Protection and tanning products seemed to sell equally as well.

SURF CITY
Sun Lotion
Sun Cream
BUG SPRAY

Medicare Glaser copes 'very well' with heat and humidity

In St. Louis, Connie Curran, who buys sun care products for Medicare Glaser, reports a very good season in her stores. There was no rain, no pollution and the only drawback was that it may have been so hot at the height of the season that people were choosing to stay indoors rather than going out where they would need lotions or sun protectors.

Curran said that when the season started, everything was selling well, but by mid to late season, it was so hot "people weren't going out. They couldn't cope with the heat and the humidity."

This year, Pre Sun and Sun Down both did very well at Medicare Glaser. Eclipse and Cancer Garde did not stand out as much as Curran expected they would, and she felt it might be because in her market people were still choosing the protection brands they knew best, so Westwood and J&J had an edge out in St. Louis.

In Medicare Glaser stores, the strongest growth was still coming from the high SPF lines, up at least 20 percent this season, Curran estimated.

Chart 1: Comparison of sun care sales

Retail segment	$ sales (millions)	% change
Food stores	$ 85.9	0.8%
Drug stores	169.0	16.4
Mass merchandise stores	63.3	(1.0)

For the 12 months ending in June 1988

Source: Nielsen Marketing Services

Baby Faces was also selling well to concerned parents, and Water Babies was doing well.

In the tanning categories, Hawaiian Tropics and Coppertone were both doing well because they both have such a large user base, but their growth had leveled off.

The chain is now carrying a small selection of high SPF sku's year round in their skin care section, but it was still just a token business, a small assortment stocked in less than two linear feet.

Tan accelerators were not doing that well here this year, and neither were zinc oxide sun blocks. Bain de Soleil was "okay, but not as strong as it used to be."

Sun Smart was available chainwide in the cosmetics department in prepacks, but by August Curran found movements were "a little slow."

Dot spots five lines, reduces returns

The Dot chain gives its stores a lot of flexibility in how they can individually merchandise the sun care category. Most of the 14 Dots put up islands for sun care and these displays are usually located near the cosmetics department.

In the past, the stores could buy pretty much what they wanted "carte blanche." But last year, management directed the stores to buy just five of the top lines, and that decision, said one source, has dramatically improved Dot's inventory position in the category and substantially reduced the amount of product that had to be returned at the end of the season.

This summer, sun care sales were good at Dot, primarily because there was so much hot weather in their market.

Bain de Soleil turned out to be the number one seller, and some Dot cosmeticians think it is because Bain de Soleil has concentrated on fashion advertising that makes their line "attractive to many young, fashion conscious women."

Pre Sun has been good, but a source said that they have the most returns on some of Pre Sun's higher SPFs. At least one source at Dot thinks that consumers may be getting wary of the marketing claims for the higher SPF brands and there may be the beginning of a trend to stick with the mid level SPFs in the 15 to low 20s range.

Cancer Garde did not perform as well as expected at Dot, and one source said it may be because people heading to the beach are willing to try sun protection to protect against aging, but that cancer is not a primary concern yet with most sun care buyers. "People are worried about aging, but not cancer," one source said.

Tan accelerators did very well in Dot stores this year. Toward the end of September, several stores were reporting that they had none left. Sun Smart, however, did not do that well in most Dot stores. Sources said part of the problem may be because Max Factor didn't do much advertising for the brand and women may not know what it is and what it can do.

Almay also has a small selection of facial makeups with sun protection factors in the formula, but sources said the movement on the line is just fair. "If you're going to buy Almay, then you might buy this line," said one source, "but the line doesn't seem to be selling because it has SPF protection in the formula."

Bullfrog did well in Dot stores this year. Again several stores said they sold out on the line before the season had fully ended.

When Dot advertises sun care, it usually goes with the Coppertone line and sometimes Pre Sun. Coppertone has the "biggest name, the most advertising dollars and the biggest selection," said one source, "so it always does very well on ad."

In the future, Dot will probably try to buy more of the mid level SPFs, the source said, because "I don't think the SPFs will go much higher, and I don't think the consumers want them much higher. People are starting to realize there are only minimal benefits once you go beyond a 15, and some of the higher SPFs are unpleasant to wear. They feel sticky to the skin, and some customers have told me they actually hurt their skin."

Confusion over SPF ratings affects F&M's sun sales mix

In Detroit, sources for F&M Distributors, the deep discounter, report that the category is selling a little slower than last year, when all the higher SPFs sold. This year, only some are selling well.

Banana Boat was in F&M stores for the first time this year, and it is doing well. All the Plough lines are also selling well.

"Last year, you could see a really dramatic change in movement," said one management source. "The high SPFs were really outselling the tanning lotions. This year, the change is not as dramatic, and I think it may be because consumers are getting confused over the SPFs. The FDA will probably have to step in and set down some clearer guidelines."

Among the higher SPFs, the Westwood Pre Sun line is doing well for F&M, but J&J's Sun Down is a little slow. "Sun Down may have over-assorted themselves," the source said, "and their package is still too ethical looking. Many customers want fashion-looking brands."

Cancer Garde has not caught on at F&M, a chain source said, because "People don't want to go to the beach with something that says cancer on it." F&M hasn't decided if it will keep some sun care lines in stock after November. The chain buys most of its sun care lines on deal, and the source says he will have to decide in November whether he'll carry his excess inventory through the winter or send it back to the manufacturer.

"I'll see what I'm left with and then I'll decide," he said. "These items sell better off displays than off the shelf, so I may decide not to carry it in-line all year."

Chart 2: Share of sun care sales for 1988*

(In percent)

Food stores	27.0%
Drug stores	53.1
Mass merchandise stores	19.9

*For the 12 months ending in June 1988

Source: Nielsen Marketing Services

Study sees dramatic growth in sun care market

Beauty Beat
Elizabeth Parks

The retail market for suncare products has grown an average of 10 percent annually for the past five years, according to a new study by Packaged Facts, a New York-based research firm.

According to Packaged Facts estimates, this will result in total retail sales of almost $390 million for 1988. This includes retail sales through department stores, food, drug and mass merchandise stores.

Packaged Facts is also predicting that the sun care market will continue to grow "dramatically" for the next five years, and will reach sales of $560 million by 1992.

> *'. . . it's quite likely we'll see a blurring of the definitions of skin care, sun care and makeup.'*

David Weiss, president of Packaged Facts, says the study shows that higher SPF sun protection products will continue to grow at a dramatic rate.

However, Weiss feels that SPFs higher than the mid-20s may not continue to be automatic incentives for sales.

He says the study shows retailers have been reporting "sales jumps whenever the SPF ratings on products rises," but according to Weiss this "numbers game" has about had its day.

When the SPF ratings system was initially introduced, 15 was the highest number recognized by the FDA. Now, SPF's are approaching the 50s, but the FDA has neither acknowledged nor disputed their efficacy at that range.

"There is a question about increased efficacy when the numbers start getting into their mid-20s," Weiss says.

Plus Weiss points out it is likely that consumers will begin using sun protection products more often as they go about everyday activities, especially consumers who live in the Sunbelt.

Consumers who use sun protection items for their everyday needs will not need a maximum strength SPF because their sun exposure will be less intense than exposure at the beach or on ski slopes says Weiss,

He also points out that using higher-rated SPFs means that consumers have to deal with a higher viscosity or "goopier" product, and that, "is an incentive not to use anything higher than is necessary."

Weiss thinks that retailers are going to see "the sun war move away from the beach heads and the heavy artillery required there, and toward lighter defenses to protect the average citizens in the interior."

He believes there is going to be much more opportunity to market and sell cosmetic products with sun protection ingredients. This trend, he adds, will increase in proportion to the predicted growth of the infrared rays. Consumers will have to deal with the dangers of the infrared rays as a result of the continued depletion of the ozone layer.

The danger will become even more visible to consumers as more and more people are forced to seek medical treatment for skin problems brought on by increased infrared exposure.

"Eventually," Weiss says, "it's quite likely we'll see a blurring of the definitions of skin care, sun care and makeup."

The entire suncare study is available from Packaged Facts in New York for $1,250. The study contains sections on market size and growth, brand share information, new product trends, national advertising expenditures and consumer usage.

Sun care products: Retail growth dollar sales forecast

(Millions of dollars, for all retail outlets)

Year	Sales	% change
1992	$560	9%
1991	$473	9
1990	$430	10
1989	$388	11
1988	$350	11

Source: Packaged Facts Sun Care Study

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WITH PURE Aloe Vera AND VITAMINS E & A
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TRENDS

The nation's 31 highest volume drug wholesalers

Company	FY ending	Estimated drug wholesale sales (millions)	% change vs. last year
1. McKesson Drug , San Francisco	3/31/89	$5,200	8%
2. Bergen Brunswig, Los Angeles	8/31/89	3,000	11
3. FoxMeyer,** Denver	3/31/89	2,000	7
4. Alco Health Services, Valley Forge, Pa.	9/30/88	2,000	18
5. Bindley Western, Indianapolis	12/31/88	1,300	26
6. Harris Wholesalers, Solon, Ohio	4/30/89	1,100	22
7. Amfac, Burlingame, Calif.	7/1/89	901	7
8. Cardinal Distribution, Inc. Dublin, Ohio	3/31/89	700	34
9. Humiston-Keeling, Chicago	4/30/88	400	11
10. Durr Fillauer, Montgomery, Ala.	12/31/87	324	16
11. Ketchum & Co., Clark, N.J.	9/30/88	300	28
12. Owens & Minor, Richmond, Va.	12/31/88	250	19
13. Moore Medical Corp., New Britain, Conn.	12/31/87	232	21
14. Louis Zahn Co., Melrose Park, Ill.	12/31/88	216	6
15. Drug Guild Distributors, Secaucus, N.J.	7/31/88	190	10
16. Northwestern Drug, Auburn, Wash.	10/31/88	180	(10)
17. Walker Drug, Birmingham, Ala.	1/30/89	170	13
18. Twin City Wholesale Drug, Minneapolis	4/30/89	159	(2)
19. North Carolina Mutual Wholesale Drug, Durham, N.C.	3/31/89	145	11
20. The F. Dohmen Co., Germantown, Wisc.	4/30/89	136	14
21. D. T .C. Smith Co., Asheville, N.C.	4/30/89	120	20
22. J. E. Gould & Co. Portland, Me.	12/31/88	119(est.)	17
23. Solomons Co., Savannah, Ga.	8/31/88	110	22
24. James Brudnick Co., Malden, Mass.	12/31/88	110	16
25. Remo Drug, Brooklyn, N.Y.	12/31/88	95(est.)	17
26. Dik Drug, Burr Ridge, Ill.	12/31/88	85(est.)	15
27. Northwestern Drug, Minneapolis	12/31/88	83(est.)	17
28. South Bend Drug, South Bend, Ind.	12/31/88	80	7
29. Miami-Luken, Inc., Dayton, Ohio	6/30/88	67	5
30. Value Drug, Altoona, Pa.	12/31/88	65	18
31. Walsh-Lumpkin, Texarkana, Tex.	12/31/88	53(est.)	17

Total estimated 1988 sales for top 31: $20.1 billion
Total estimated 1988 sales for industry: $22.4 billion
Top 31 share of total estimated '88 industry sales: 89.7 percent

If the acquisitions go through, McKesson will also account for approximately 34 percent of total drug wholesaling industry sales.

**Projection for FoxMeyer's 1989 year does not include the $216 million that FoxMeyer will pick up after the Louis Zahn acquisition is completed.

Source: *Drug Store News*/NWDA Annual Wholesaler Survey

Wholesalers: Is there life after price-cutting?

The days of volume for volume's sake may be drawing to a close, as players eye new product mixes and picking methods to shore up profits

By Elizabeth Parks

Depending on who you talk to, the drug wholesale industry is either entering a new stage of sophistication and restraint concerning strategies that impact profits, or it is not.

About half the drug wholesalers *Drug Store News* interviewed for this special report thought that at least the major drug companies in 1987 and 1988 were starting to show some restraint in some markets regarding cutthroat price competition.

However, just as many sources thought the opposite was true. They believed that while everyone in the industry is giving "lip service" to the need to adopt strategies that will enhance gross margins, the reality is that companies are still going after volume for the sake of volume, or market share at any cost, and that this is why the industry's average gross margin was down another half of a percentage point in 87.

Theoretically, wholesalers were in complete agreement over the need to attack the gross margin erosion issue. Most felt it was simply dangerous for the industry to ignore the margin issue and hope it could continue to store up profits by improving productivity and efficiency.

Many sources said it was not enough to talk about successfully stabilizing margins, that the industry's real challenge was to get gross margins to go up. Several even said they felt the industry deserved to operate with margins in the double-digit range, "for all the services we provide to our customers."

Wholesalers also felt it was especially important to develop more of the value-added services to attract customers without resorting to offering "the lowest prices in town."

Most of the major companies said they were trying to improve margins by expanding marketing services for independents, chains and hospitals.

More wholesalers were also expanding their product mix to try to enhance margins, adding more H&BAs, OTCs and sundry lines to their mix so they could either enhance their standing as, or evolve into, full-line wholesalers.

A few were experimenting with rack jobber programs, both as a way to grow margins and as a way to achieve incremental volume by improved servicing of new and existing customers. Others were trying to improve their buying and also enhance services by adopting or expanding catalog programs for H&BAs and OTCs bought on deal.

In the product mix arena, home health care was still perceived as a growth area, and so were generic drugs and medical/surgical supplies.

Drug chains, food chains, mass merchandise chains, nursing homes and physicians were seen as growth areas with plenty of potential for

Continued on page 18

The average drug wholesaler, profiled:

- Current number of distribution centers in operation: 8.42.
- Estimated number of distribution centers that will be open by the end of this current fiscal year: 9.23.
- Average sales from drug wholesaling for the fiscal year just ended: **$661.4 million.**
- Estimated sales from drug wholesaling for the current fiscal year: **$799.3 million.**
- Average sales per distribution center: **$80 million.**
- Average net earnings for the last completed fiscal year: **$6.7 million.**
- Anticipated percentage increase for net earnings this fiscal year: **6.6 percent.**
- Number of retail stores currently serviced: 2,375.
- Percent of retail accounts that are voluntaries or co-ops: **24.0 percent.**
- Average percentage number of wholesalers with voluntaries, co-ops or franchised operations: **83.0 percent.**
- Average number of SKUs stocked at the end of the last fiscal year: 22,730.
- Average total inventory investment at the end of the last fiscal year: **$51,804,101.**
- Average annual return on investment at the end of the last fiscal year: **15.0 percent.**
- Average gross margin at the end of the last fiscal year: **8.0 percent.**

Source: *Drug Store News*/NWDA 1988 Drug Wholesaler Survey

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Wholesaler roundup

Continued from page 17

helping wholesalers expand and diversify customer bases.

Many wholesalers were also trying to consolidate and upgrade distribution facilities so they could affect additional cost savings. A number of companies had automated centers with computers, and a few of the bigger companies were experimenting with more advanced types of technologies like radio frequency picking and fully automated pickers.

Companies were still closing their smaller DCs and consolidating them into newer and larger facilities with the capacity to generate higher volumes at lower costs.

Companies this year were also talking about the need to improve their buying power, and to do this many sources said they needed to develop better relationships with manufacturers, particularly manufacturers of H&BAs, OTCs and sundries.

"You're seeing the good wholesaler work hard to make himself important to the manufacturer," said Robert Walter, chairman and chief executive officer of Cardinal Distribution, Inc.

"We have to show the manufacturers that we can sell programs as well as price. The manufacturer is willing to make more aggressive discounts available if we can show that we can promote their products. As wholesalers, we have to go after this business so we can earn the rebates," Walter added.

Most wholesalers thought this year's acquisition activity was not going to turn into another trend. "There are not that many companies left to be acquired," several sources pointed out, "and most of the major companies are still busy digesting the fruits of their earlier acquisitions from 1984 through 1986."

'If you read the speeches that management at some of the major companies make, you'd think we were shooting for fifty-percent margins. But when you look at what's happening in some of the markets, you realize there are some companies not even making five percent. There's no safety net in the margins we have now.'

–Michael Quinn
president, coo, Cardinal Distribution

In most cases, wholesalers who represented the small to mid-size volume companies were less likely to report that margins were stabilizing or that "cutthroat competition" was ending.

To get a fix on the trends and issues from as many perspectives as possible, *Drug Store News* interviewed a broad spectrum of executives. Here is what the industry thinks about the year just ended, and the year coming up.

Cardinal Distribution Inc.

Robert Walter, chairman and ceo of Cardinal Distribution, expressed an optimistic view of the industry and of Cardinal's future growth prospects. Sales and earnings were up substantially, said Walter, adding that pricing is starting to stabilize.

"People are being more realistic about margins," he said. "You see less competition to get market share based on price alone, at least from the major players.

"The smaller companies who don't have a lot of services to offer are still using price as a wedge to build volume," Walter said.

However, Mike Quinn, Cardinal's president, said, "If you read the speeches that management at some of the major companies make, you'd think we were shooting for fifty-percent margins. But when you look at what's happening in some of the markets, you realize there are some companies not even making five percent. There's no safety net in the margins we have now.

"We're concentrating on the northeast, where we're number one, and we're relying on our value- added operations to attract and hold customers," Quinn added. "We're also investing in research and development, so we can continue to improve our systems approach to our business."

Both agree that there are other trends developing that are helping wholesalers become more profitable.

For example, Walter said he sees a positive trend for hospitals, which have been notoriously slow about paying their bills, to improve their payment programs.

Walter and Quinn also noted that the Voluntary Hospitals of America, whose members control about 25 percent of all the beds in the country, recently reduced its network of wholesale suppliers from 16 vendors to nine, of which Cardinal was one.

Cardinal has also developed a new software package for hospitals called Accunet.

Bindley Western

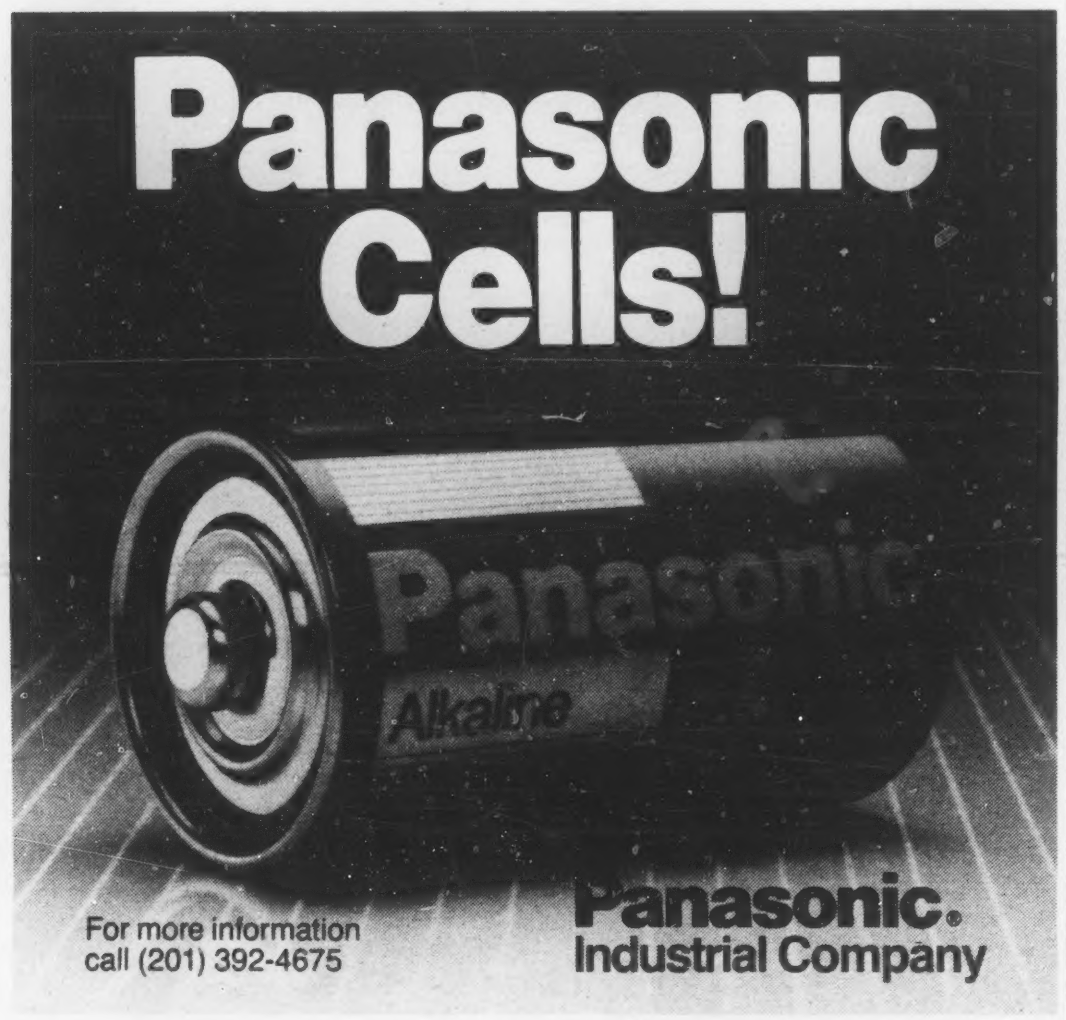
In Indianapolis, Bill Bindley, the chairman and ceo of Bindley Western, said the wholesaler has been moving on several fronts to improve overall profitability.

Bindley has consolidated several small facilities into larger centers, and has automated in a number of areas.

At the end of the year, Bindley will also open a new facility in Dallas, four times larger than the one there now.

Like many other companies, Bindley is also moving to broaden its mix into a full line. The company is expanding its mix of H&BAs and sundries

Continued on page 19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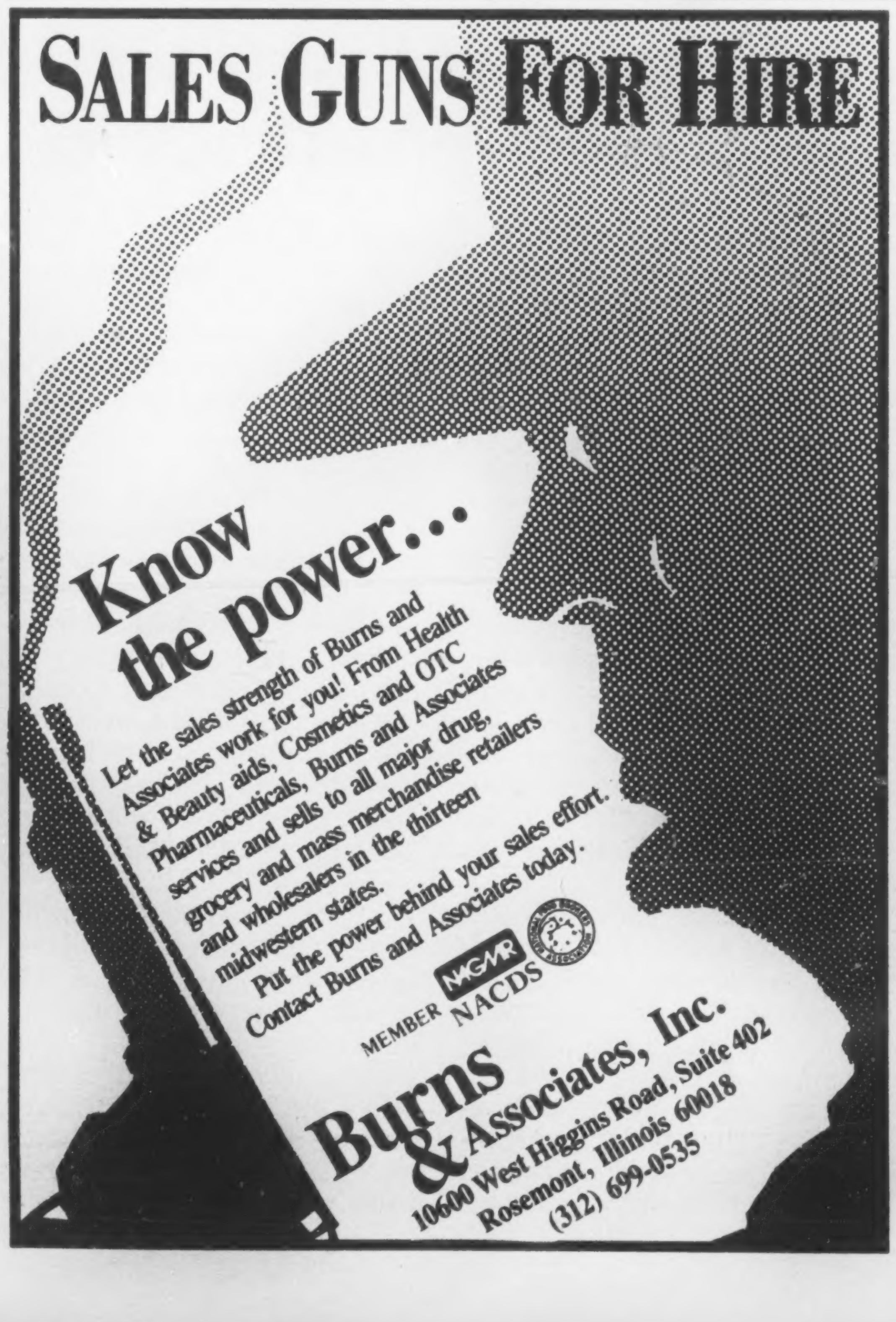
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Wholesalers seek stable margins

Continued from page 18

and is also offering catalog programs for deal merchandise.

"We feel that with the competitive pressures on the pharmacy side of the business, we have to offer a full range of services to attract a broad customer base," he said.

By 1990, Bindley believes he'll be able to increase his share of H&BAs, OTCs and general merchandise sales to between 15 percent and 20 percent of his total sales, up from 5 percent now.

Bindley is also trying to expand its generic program. "Generics," said Bindley, "give us better margins, and at the same time they allow us to provide an added service to our retail customers."

Bindley now has over 1,100 items in its generic line. Bindley hired Keith Johns, who used to manage pharmacy professional services for Hook Drug, to head up Bindley's generic distribution company, GlenLawn Generics. Bindley also sells its generic private label line to non-competing wholesalers.

Bindley thinks margins and prices won't effectively stabilize until the industry "stops trying to buy market share. The only way to buy market share now is to go out and offer a better price.

"Instead, the competition should be based on service—special programs that are geared to assist the retailers and streamline their operations."

Bergen Brunswig

In California, Bergen Brunswig is also striving to stabilize margins.

Last year, Bergen exceeded its profit goals by more than 40 percent. Phil Engle, president, attributed success to marketing programs which provided customers, both retailers and hospitals, with a growing number of value-added programs; to forward buying, which enabled Bergen to buy against price increases; and to their continued consolidation and upgrading of facilities which improved cost efficiencies.

"The gross margin erosion has at least slowed a little this year," Engle said.

"There's so much new coming out in pharmaceuticals, that it would be hard to accomplish a large shift in the sales mix and still remain a pharmaceutical supplier," he added.

What wholesalers plan to do to enhance value-added services to their customers

Service	During the next two years, the % of wholesalers who plan to modify their value-added services		
	Will add more	**Will do less**	**Will stay the same**
Point of purchase aids	83%	0%	17%
Planograms	63	0	27
Promotional/advertising support programs	88	0	12
Co-op ad dollar programs	83	0	17
Product price labels	33	0	67
Shelf price update	38	0	62
Price updates	42	0	58
Store remodeling programs	43	0	47
Store fixturing programs	33	0	67
Accounting/bookkeeping services	29	5	66
Third-party claim processing	61	0	39
Help customers bid on managed healthcare business	48	0	52
Extended dating on opening inventories	21	4	75
Direct loans for expansion/acquisition, etc.	30	13	57
Co-signing loans for retailers	17	26	57
Arranging financing with third parties such as banks, etc.	42	4	54
Site selection	39	0	61
Pharmacy system software	52	13	35
Point-of-sale software	65	9	26
Scanning software	70	4	26
Pharmacy computer hardware	39	22	39
POS scanning/computer hardware	61	13	26
Host support for computers	57	4	39
Inventory reports	54	0	46
Financial/management reports such as P&L statements	30	9	61
Product movement reports	58	0	42
Business insurance	20	10	70
Private label programs	74	0	26

Source: *Drug Store News*/NWDA 1988 Wholesaler Survey

McKesson Drug

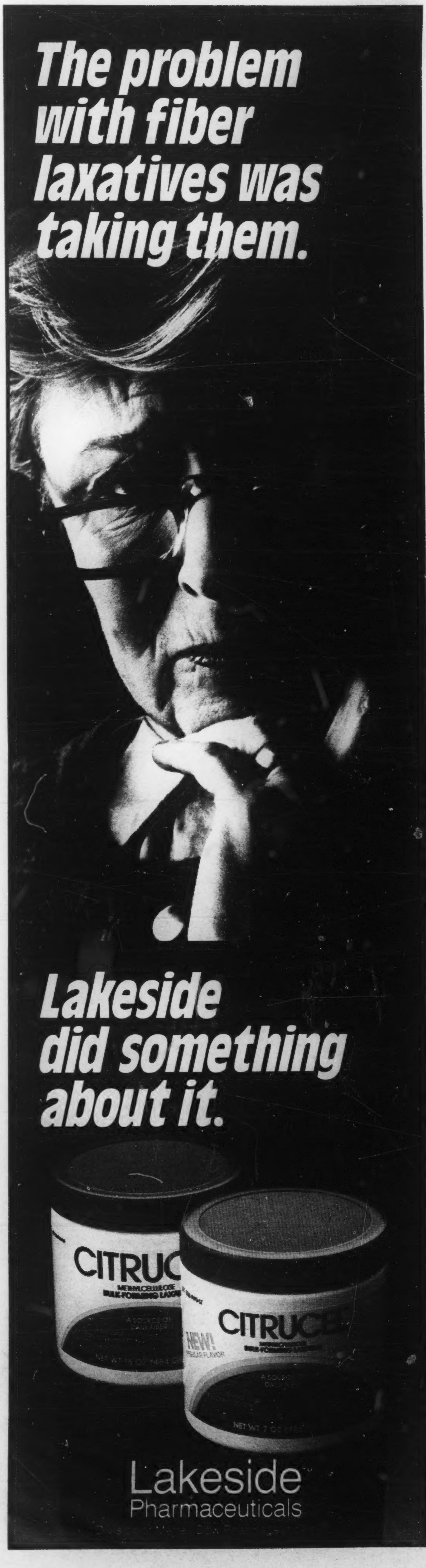
Also in California, megagiant McKesson Drug is experimenting with some new state-of-the-art technologies.

Joe Polastri, president of McKesson Drug, said McKesson is beta-testing a system that will eliminate all excessive handling of a product. Polastri said the system is "one of a kind" and that it has applications for automating the receiving and storage of product as well as for picking. "It's very cost effective," said Polastri. "It means we'll have to handle a product just once."

Polastri said McKesson will

Continued on page 20

> *'There's so much new coming out in pharmaceuticals, that it would be hard to accomplish a large shift in the sales mix and still remain a pharmaceutical supplier.'*
>
> **—Phil Engle**
> president, Bergen Brunswig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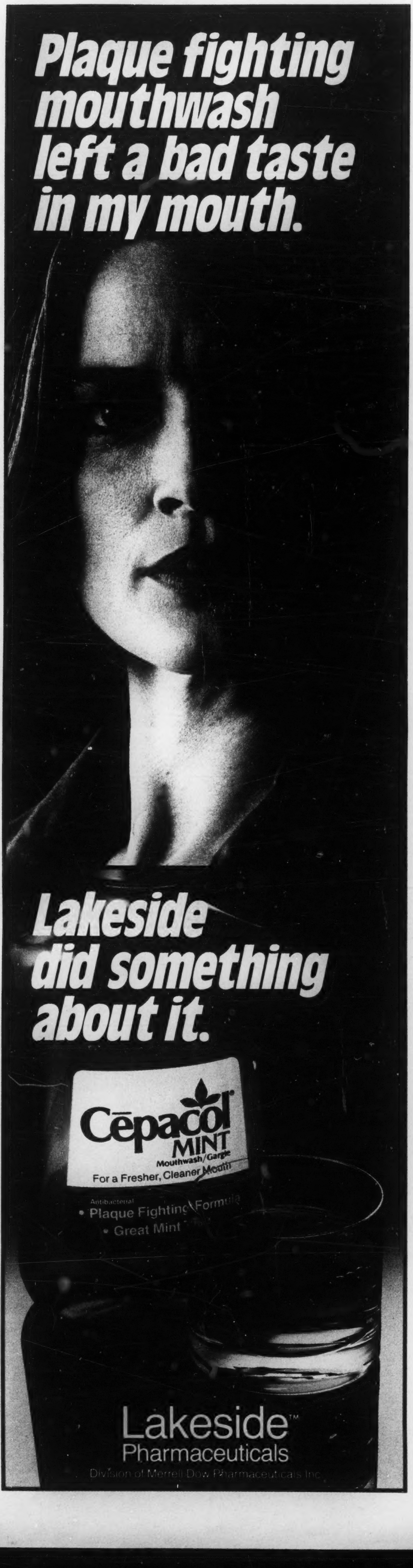
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Wholesalers seek stable margins

Continued from page 19

begin an operational test of the system around the first of the year in the Sacramento warehouse.

McKesson is also continuing to consolidate its houses. Two DCs were consolidated and reopened in a larger warehouse in Tampa last June. Spectro Industries, a subsidiary, also moved into a bigger facility in Massachusetts.

McKesson had an excellent year last year and continues to do well in 1988. "The market is stabilizing," he said. "There's not much activity in bankruptcies, generic prices have stabilized, and the market is active. Business is good for everyone."

Yet Polastri said there will still always be some "cutthroat" competition in certain parts of the country.

To see if McKesson can improve margins by expanding product mix even further, McKesson is also experimenting with a novel kind of joint venture with its mass merchandise division.

"We're testing using the facilities of our mass merchandise rack job division to bring these kinds of products and services to our wholesale customers," he said.

"We've been testing the program for about six months with about 40 customers. The customer orders the goods through our system. The orders then go to the service merchandise division to fill. They fill it and they send it to our warehouses. Then we deliver the goods to our customers."

Polastri said the program makes about 20,000 more items available to McKesson's customers, including such things as hair care accessories, hardware and automotive products.

FoxMeyer

In Texas, FoxMeyer is spending this year focusing on getting its house in order under new management.

Bill Tauscher, FoxMeyer's charismatic chairman, resigned last July to pursue other business interests, and he was replaced as president by Bob King, a pharmacist who has spent 10 years with FoxMeyer, the most recent as president of the FoxMeyer Drug Co.

King reports to Larry Farley, who is now chairman of FoxMeyer as well as the cfo of parent, National Intergroup.

No one in the industry was very surprised by Tauscher's exit. Most sources, including King, said that his departure was "destined to happen," partly because Tauscher was used to being the number-one player at the old FoxMeyer. Also, it is believed Tauscher was not as comfortable being in a slightly less powerful position, once FoxMeyer was acquired by National Intergroup. However, he left primarily because of the many outside interests he had.

FoxMeyer's new management, under National Intergroup's direction, is focusing on the core business of drug wholesaling.

The changing customer base for today's drug wholesaler

(The percentage of business the average drug wholesaler does with each customer segment)

Customer segment	% of average wholesaler's business mix
Independents	49.60%
Hospitals: Pharmaceutical sales	20.40
Direct deliveries to chain drug stores	10.40
Chain warehouses	6.40
Independent retail buying groups	4.00
Food/grocery/drug/combo store chains	2.40
Mass merchandisers	2.10
Clinics	1.20
HMO's (all types)	0.70
Nursing home suppliers	0.60
Mail order houses	0.40
Hospitals: OTC sales	0.40
Home health care store operators	0.40
Hospitals: medical/surgical supply sales	0.30
Other	0.30
Nursing homes direct	0.20
Physicians/corporations with own formularies	0.10
PPO's including PSAO's	0.02

Source: *Drug Store News*/NWDA 1988 Wholesaler Survey

King said the company has been trying to stop its own involvement in cutthroat competition so it could stabilize gross margins.

"From now on, we will grow our business with service. It doesn't make sense to do a lot of crazy things with prices," King said.

> *'Wholesalers' gross margins have gotten to the point where they have to be improved. They can't expect to keep pace with profits by decreasing expenses.'*
>
> **—Mel Whitmire**
> president
> Amfac Health Care

As part of its new service program, FoxMeyer has reexamined its Health Mart franchise division. King said the division has just crossed the 500 mark with members, and he thinks the new Health Mart will be able to attract 125 to 150 new members a year.

King said FoxMeyer is also seeing growth in its Health Care Pharmacy Provider program, which tries to help chain and independent drug store operators by securing HMO contracts for them.

King also said the recent acquisition of Zahn should also give the company a much stronger presence in the Chicago market.

Last February, FoxMeyer also opened a 90,000-square-foot facility in La Cross, Wisc., which will serve as a prototype.

FoxMeyer is also slowly but surely expanding its product mix. Home health care, including durable medical equipment and generic drugs, are targeted.

Amfac Health Care

In Burlingame, Calif., Mel Whitmire, president of Amfac Health Care, said his company has been having an "excellent year," adding that Amfac's experiences are unique to the industry because the company was late in automating, consolidating and adding value-added services.

"Our improvements have been outstanding," he said, "because we're just now catching up with the industry in the things that improve profitability."

Whitmire said that the lack of inflation in recent years has been good for the industry because it has "caused wholesalers to look closely at their gross margins. Wholesalers' gross margins have gotten to the point where they have to be improved. They can't expect to keep pace with profits by decreasing expenses."

How Amfac cultivates hospital business is an example of Whitmire's intent to measure the profitability of a customer. Many wholesalers have gone charging after hospital contracts only to get hurt as they realized how difficult it was to make money dealing with the average low margins and the longer payment terms.

Amfac, however, has been very successful with its hospital business. Hospitals have gone from a 4-percent mix of business in 1985 to over 30 percent today.

Amfac's retail sales are growing, and Whitmire said the company is selling more OTCs today than ever before. However, pharmaceuticals still account for between 80

Continued on page 21

Drug wholesalers show price restraint

'The public knows the average prices of most pharmaceuticals, but there are hundreds of blind items that no one knows what the cost is.'

—Burton H. Olin
president
Humiston-Keeling

Continued from page 20

percent and 85 percent of all Amfac's sales because of the volume of business they do with hospitals.

Home health care has been identified as another growth area.

Earlier this year, Amfac became the first drug wholesaler to successfully implement a leveraged buyout.

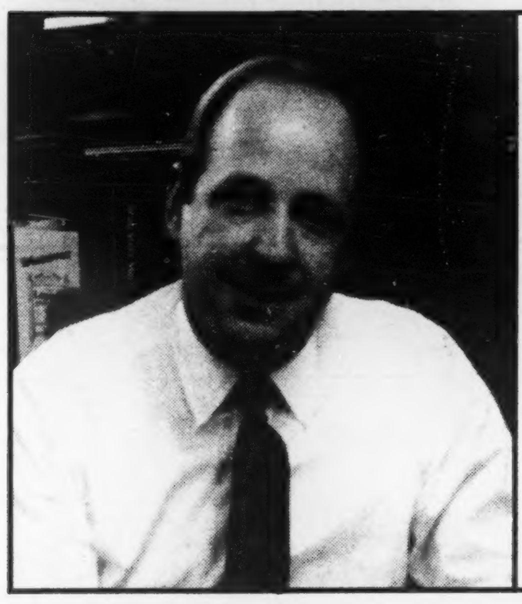
Right now, there are 12 partners including Whitmore who is one of three major investors who own about 10 percent of the company's stock. Whitmore says he wants to make more stock available to about 38 other potential investors as "incentives" for the company to prosper.

"We have a three-year plan that will increase our stock ownership to 20 percent if we make our sales and profit goals," he says. "I want to share our stock so there'll be incentives to help us reach that goal."

Since the LBO was made final, Amfac has been awarded two major contracts. Like Cardinal, they were one of nine wholesalers chosen as suppliers for the Voluntary Hospital Association, and they were also awarded a three-year contract with the second largest HMO in Washington.

Humiston-Keeling

In Chicago, Humiston-Keeling has been concentrating on consolidation and automation to build its bottom line.



'Prior to OCP, we were cash-poor for about two years, and we lost a lot of discounts.'

—Anthony Denicola
vp-marketing
Ketchum & Co.

Chairman Burt Olin says the company consolidated four divisions in the last four months and is now doing close to $400 million in sales from its one distribution center here, which helped to improve service levels by as much as 8 percent in some areas.

Olin says that now that the costs of shutting down existing operations are behind him, he expects to see "great strides in profitability" this year, but he doesn't think the industry as a whole is moving in a direction that will yield higher margins or profits.

He blasts one competitor for "destroying the hospital market by charging cost plus 0.8 percent. You can't run a profitable operation with that type of gross," he says. "They're offering seven days a week delivery, twice a day. They're trying to get us out of business by forcing us to meet their prices."

Olin also says the chargeback situation at hospitals has worsened. He says some manufacturers are using the industry's money "for three to six months without any guilt at all."

Right now about 30 percent of H-K's sales are with hospitals, and Olin says H-K is not trying to grow that end of the business much further. Instead, they are trying to court new retail customers, but he's concentrating more on drug stores and not trying to reach the food or mass merchandise chains yet.

H-K is trying to expand its product mix to include more H&BA and deal items into its warehouse.

"The public knows the average prices of most pharmaceuticals," he says, "but there are hundreds of blind items that no one knows what the cost is. We want to buy more of that for our customers, so they can advertise candy at four for $1 or whatever and give their customers a real value."

Olin says H-K also plans to expand its private label line from about 12 items now up to 50, and carry more specialty SKUs. "We want to create the departments that chain drug stores have," he said, "automotive, hardware, even soft goods maybe.

Owens & Minor

Owens & Minor had a fairly good year last year. Earnings were up about 8.5 percent, but profits in the drug wholesaling business were flat, primarily due to internal accounting, according to chairman Gil Minor, Jr.

The Miami distribution center was losing some money, but Minor says the company corrected that problem by merging that division with O&M's medical surgical sales division.

"Our core business is profitable, but Miami was a loser. Now that it's merged with medical/surgical, it's not that much of a loser."

Minor says his company is continuing to try to reduce expenses. He says it has been able to improve productivity by increasing sales per employee through automation.

"I don't how much room is left to reduce operating costs in the industry," he says. "But you won't see the dramatic improvements you've seen in the past."

Minor says he sees two major factors working against the industry as companies try to improve overall margins and profitability. The first is the growing share of low margin business that is going through hospitals.

Minor says that about 55 percent of his business now is with hospitals so O&M has managed to "go through that phase of learning to deal with lower margins."

He said the other problem is that retail customers have formed buying groups and are continuing to put pressure on wholesalers for lower margins and lower prices.

"So it's a double squeeze going on and I don't know when it will stop."

Owens & Minor is trying to add more services like planograming to help its retail customers, and the company is slowly expanding its product mix to include more front end items.

Ketchum

After several unprofitable years, Ketchum & Co. is starting to move toward the black.

Ketchum's vp-marketing Anthony Denicola says new parent, OCP is investing millions to help Ketchum renovate and modernize.

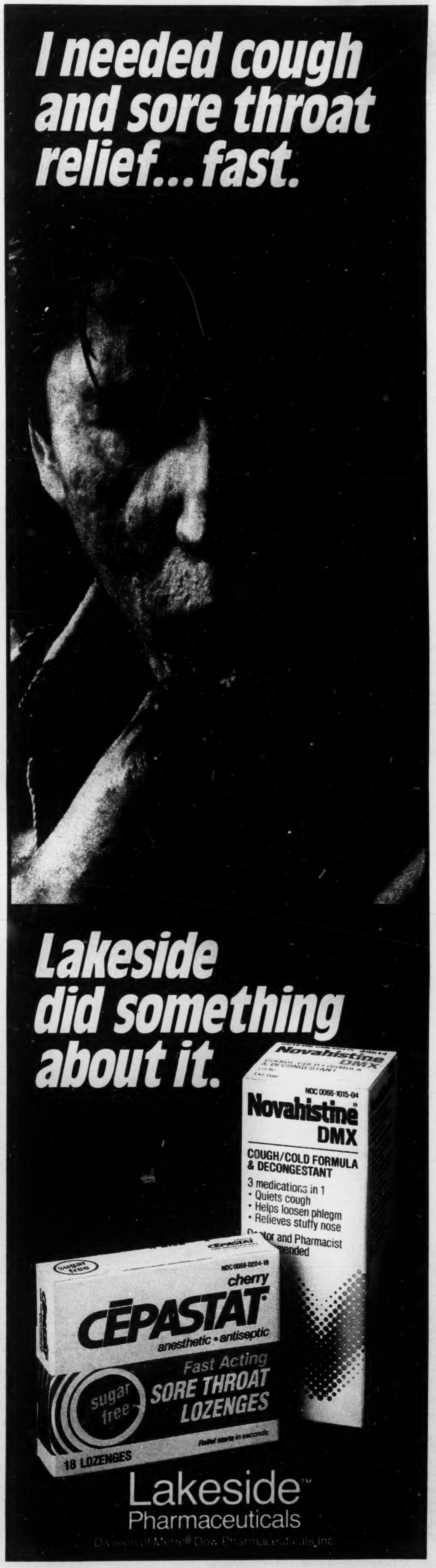
"One of the major changes since they acquired a 55 percent interest in us," says Denicola, "is that we've improved our cash flow. Prior to OCP, we were cash poor for about two years, and we lost a lot of discounts because we didn't have the money to take advantage of them."

Now Ketchum has improved its inventory position, and they are able to buy in quantities large enough to qualify for discounts.

They've also been able to modernize their largest and highest volume distribution center in Brooklyn.

Ketchum also has a new marketing plan that calls for expansion in the H&BA, OTC and generic categories. Denicola says the company has tripled its generic business in the past four months.

The company is also planning to put in a "meaningful home health care program."



Bergen Brunswig's DC 'a cost-saving prototype'

VALENCIA, Calif. — Bergen Brunswig, the nation's second largest drug wholesaler, recently released an interim report on its uniquely designed state-of-the-art distribution center, which opened last March here.

Bergen's president Phil Engle says Valencia could generate cost savings for Bergen and will probably become the prototype for all of Bergen's future high volume warehouses.

The report described the facility as follows:

The 208,100-square-foot building has space for offices and administration and expansion space above the office area.

Additionally, the design of the warehouse will accommodate a future mezzanine area. Fully expanded, the total space available is nearly 300,000 square feet.

The computer room has special acoustical treatment and secured access and fire suppression equipment, in addition to a magnetic synthesizer that monitors electrical power.

Receiving doors are equipped with dock levelers. Shipping docks have double roller conveyors that handle totes for each delivery run.

Warehouse lighting is computer controlled with an energy management system. The office heating and air conditioning system is linked to an automatic setback system. Overall, the facility employs a five-layer, cable-linked computer architecture to control automation and business requirements.

The Automated Picking System (APS) is designed to store and dispense the fastest moving prescription drugs and over-the-counter products. A demanding series of capability and acceptance tests continues. Current estimates indicate that the fast-moving items represent 50 percent of Valencia's total sales volume. The remaining 50 percent of the volume will be picked manually.

Two miles of conveyors

More than two miles of computer-controlled conveyors for picking and replenishment are provided by the Automated Material Handling System (AMHS). Operating together, the APS and AMHS have order picking and replenishment capacity far greater than any current Bergen Brunswig distribution center. Custom designed tote boxes are used throughout the system.

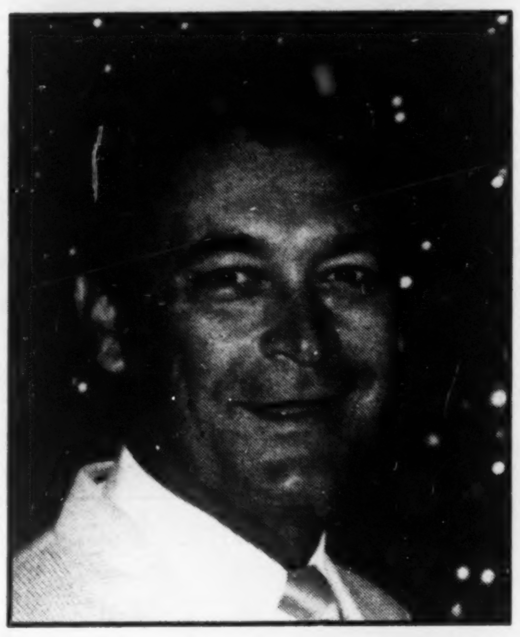
Flow rack and static shelving can store additional nonprescription product lines and additional lines of prescription medicine. Pallet-size racks provide bulk storage for some 250 truck loads of products.

Orders are filled at night for early morning delivery, but the facility has been designed for 24 hour operation, simultaneous picking and replenishment, and increased total productivity in terms of order lines per day using multiple shifts.

Bar coding of totes, cases and all inventory movement and picking documents facilitates appropriate use of the automated equipment.

Customers use an order entry terminal for telephone transmission to the IBM Series/1 order processing computer. Orders are received on a routine cycle by an IBM System 36. From this point on, the sophisticated automated procedure is significantly different from traditional order picking and materials handling methods.

When the consolidation was completed, three divisions were replaced by Valencia. The Valley Hospital division was first, then Van Nuys and Covina.



Bergen's president Phil Engle says Valencia will probably become the prototype for all of the wholesaler's future high-volume warehouses.

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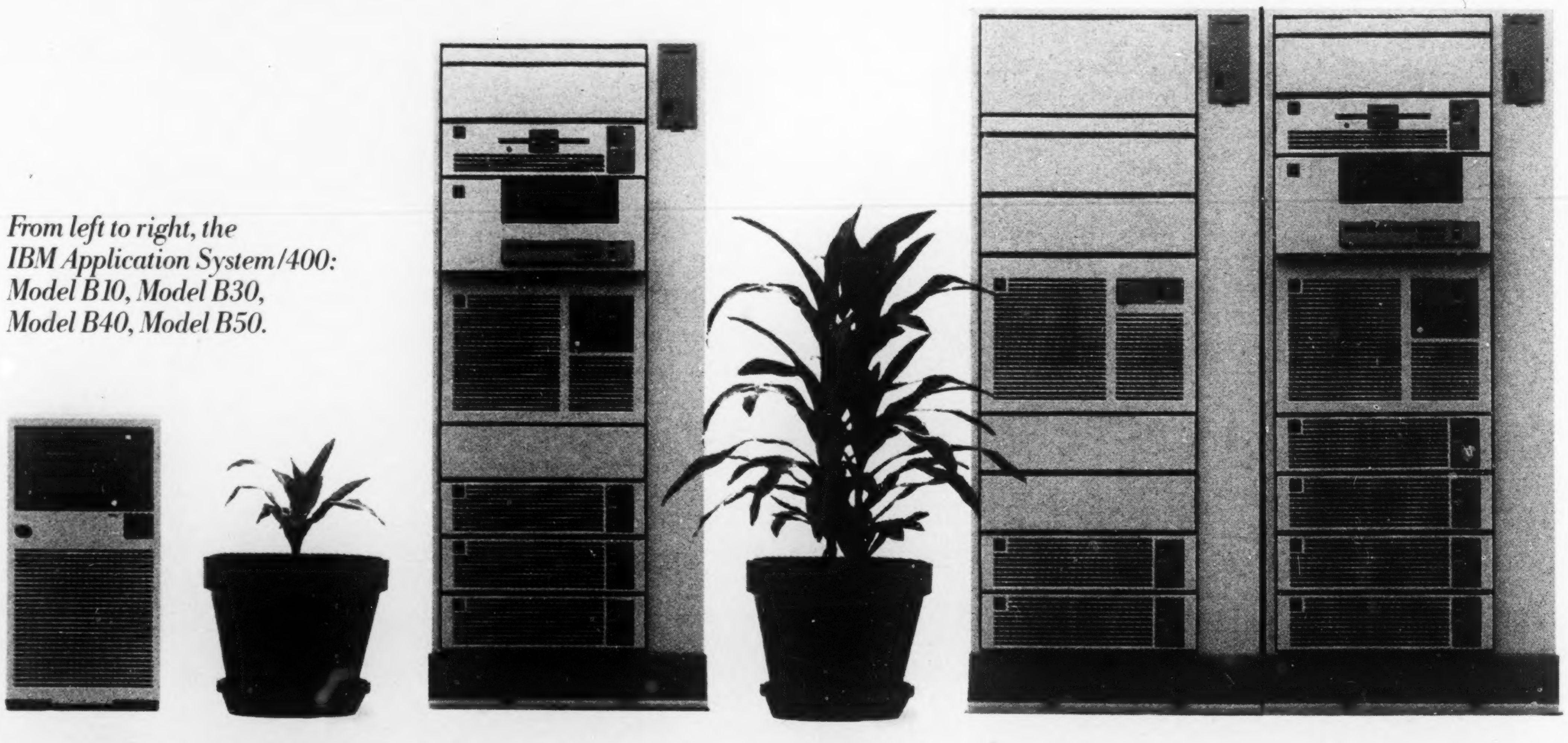

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Drug wholesaler industry profitability trends

Indicators	1983	1984	1985	1986	1987
Return on net worth	16.50%	16.40%	13.10%	9.70%	12.80%
Return on total assets	7.17	7.30	6.05	4.46	5.55
Net profit margin	1.75	1.78	1.47	1.13	1.33
Total asset turnover	4.11	4.13	3.88	3.88	4.10
Gross profit margins	10.16	9.74	8.86	8.19	7.60

Source: NWDA 1987 Operating Survey

Drug wholesalers: expense and profit trends

	1983	1984	1985	1986	1987
Gross profit*	10.16%	9.74%	8.86%	8.19%	7.60%
Operating expenses	7.21	6.84	6.17	5.98	5.28
Net operating income*	2.95	2.90	2.86	2.21	2.30

Source: NWDA 1987 Operating Survey

*FIFO results

Drug wholesalers: five-year sales growth

	1983	1984	1985	1986	1987	1988 (est.)
Dollar sales (billions)	$11.90	$12.52	$14.32	$16.80	$19.40	$22.40
% chng. vs. prior year (current dollars)	16.70%	12.80%	14.80%	18.50%	16.80%	15.00%
% change adjusted for product price changes/inflation	9.72%	4.84%	8.65%	12.60%	7.00%	n.a.

Source: NWDA 1987 Operating Survey

NWDA operations survey: Good news found in controls, tax changes; inflation a question mark

Most drug wholesalers said they were somewhat heartened by the results of this year's NWDA survey of industry operations.

On a FIFO basis, net profits after taxes rose from an all time low of 1.1 percent in 1986 to 1.3 percent in 1987.

Most wholesalers told *Drug Store News* they felt at least some of the rebound was due to further cost reductions, but their optimism was also tempered by the realization that a good part of the rebound was due to changes in the tax laws, and as several sources said, the industry is still vulnerable to inflation and the prospect of increased taxes under a new presidential administration.

Return on net worth, however, was dramatically better in 1987. NWDA characterized the achievement of a 12.8 percent return in 1987 as "outstanding." In 1986, return on net worth had plummeted to an all time low of 9.7 percent.

NWDA executives pointed out that even though 1987's net worth performance is much better, it is "still below the golden years of the early 80s. In 1983, for example, the industry produced an average 16.5 percent return on net worth.

Drug wholesalers also scored again on improving their asset management in 1987. Inventory turns rose from 7.01 in 1986 to 7.07 turns in 1987.

Wholesalers also continued to expand their sku mix in all product lines except durable medical equipment (DME) and home health care. Total skus increased from an average 19,000 per house in 1986 to 19,900 in 1987.

In total, sales per sku rose from $1,954 in 1986 to $2,161 in 1987.

Because of these and other improvements, total asset turnover increased to 4.1 in 1987, up from 3.9 in 1986, the industry's best performance in this area since 1984.

Sales for 1987 were also strong, up 16.8 percent to $19.46 billion. Since inflation increased approximately 7 percent in 1987, the industry can boast that it achieved "real growth" of 9.4 percent, a significant accomplishment.

Some of that gain came from the industry's ability to increase its share of pharmaceutical sales.

According to the Pharma-

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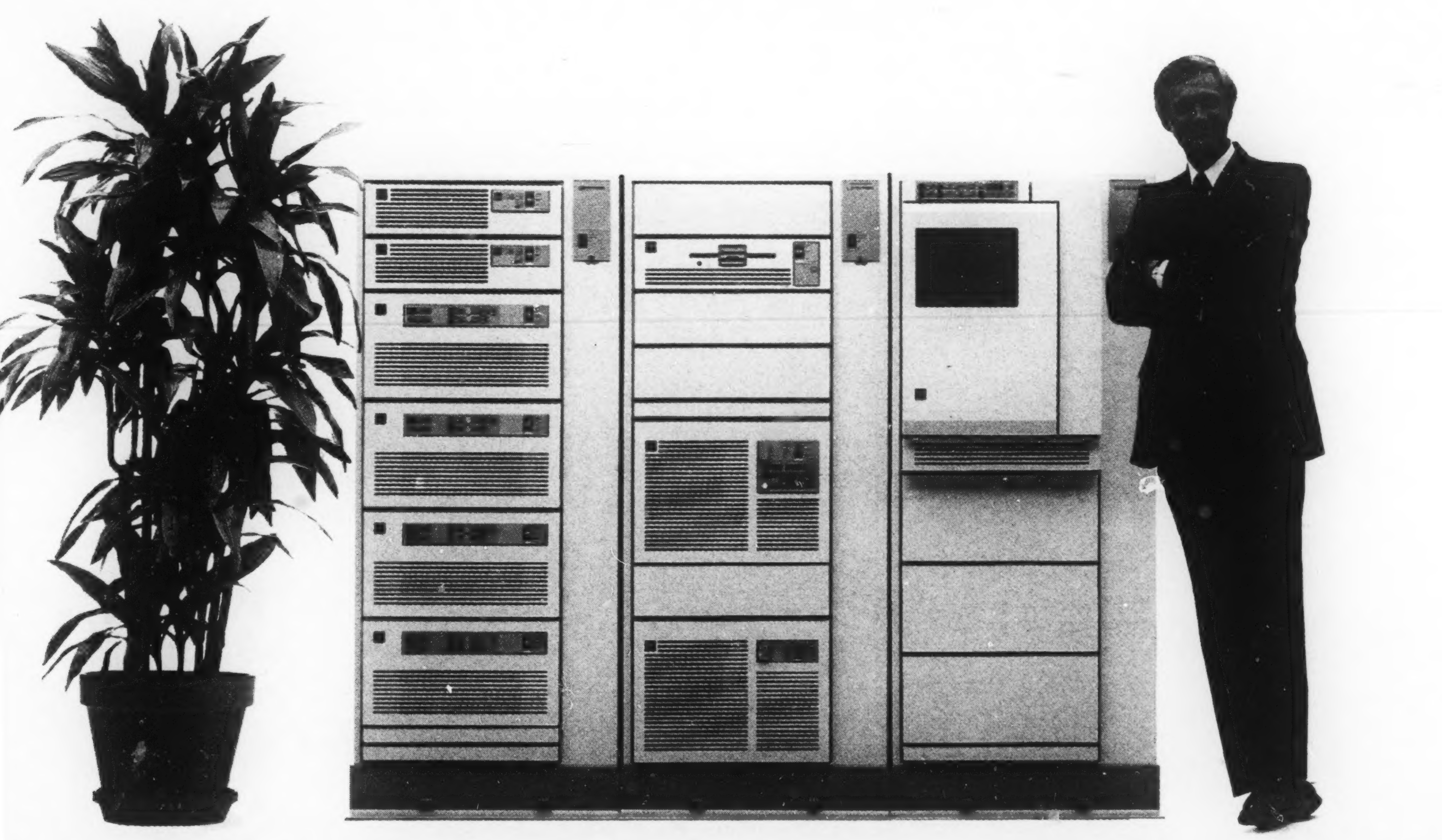
puter growing pains.
plication System/400.



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Drug wholesalers customer sales mix

(Percentage of drug wholesale gross sales)

Customers	1979	1984	1985	1986	1987
Independents	60.71%	53.45%	50.01%	47.66%	45.60%
Chain drug	20.80	19.66	23.16	23.69	22.76
Hospitals	11.38	18.61	199.47	20.13	22.23
Chain drug warehouses	4.66	4.74	4.16	5.09	4.98
Mass merchandisers & food stores	1.64	2.26	1.96	2.25	2.53
Clinics, nursing homes, others	0.82	1.28	1.24	1.18	1.90

Source: NWDA 1987 Operating Survey

Drug wholesalers: product sales mix

(Percentage of net drug wholesaling sales)

Product Line	1979	1984	1985	1986	1987
Pharmaceutical	63.42%	71.73%*	75.75%	76.41%	78.78%
Proprietary	17.50	13.15	12.50	12.52	12.15
Toiletry	9.70	8.42	5.92	4.48	3.95
Sundry	8.32	4.96	3.75	4.27	3.14
DME & HHC**	—	—	0.57	1.05	1.06
Other	1.32	1.76	1.52	1.27	0.91

*Note: AMFAC Drug Supply rejoined the survey after being absent for several years. This may have produced some of the increases in the pharmaceutical sales percentages.

**Durable Medical Equipment and Home Health Care

Source: 1987 NWDA Operating Survey

NWDA ops survey has hopeful signs

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ceutical Manufacturers Association, over 70 percent of all pharmaceutical sales went through drug wholesalers in 1987, up from 68.3 percent in 1986.

NWDA also reports that wholesaler sales to independent drug stores increased by 11.5 percent last year.

Sales to other customer segments like hospitals, however, were up much more dramatically. NWDA reports that wholesaler sales to hospital customers were up 29.0 percent in 1987.

This meant that in 1987, hospitals accounted for an even stronger percentage of total wholesaler business. In 1987, hospitals accounted for 22.2 percent of all drug wholesaler customer sales, up almost four points from 1984. Meanwhile, independents' share of total drug wholesaler sales went down two points from 1986 to 45.6 percent. In 1984, independents had accounted for a whopping 53.5 percent of all drug wholesaler customer sales.

Sales to chain drug stores also went down one point in 1987 to 22.7 percent.

Most wholesalers agree that this shift does have some impact on the continued erosion of gross margins. Hospitals are very price conscious, and they usually give their business to the lowest bidder. This means that many wholesalers have had to sacrifice gross margin profitability to build their base of business with this clientele.

So far, too, hospitals have not been as interested in retailers in obtaining "value added services" from their wholesalers. Wholesalers have been able to create an entirely new category of higher margin business by developing value-added programs for their retail customers, but hospitals until now have been more interested in buying product at the lowest possible price.

Many wholesalers think this trend will change as hospitals come to realize how wholesalers can produce management services that will make them more profitable, but until that change comes, wholesalers will have to contend with dealing with a lower margin customer base that is growing dramatically in importance to them.

In 1987, the average drug wholesaler gross margin slipped to 7.6 percent, down from 8.1 percent in 1986.

Wholesalers were able to hold the line on operating profits, however, because they were able to again lower operating expenses to 5.3 percent in 1987, down from 6.0 percent in 1986.

As a result, operating profits were up by one-tenth of a percentage point to 2.3 percent in 1987.

Profitability was also helped by a tax rate reduction: the effective tax rate went down from 48.0 percent to 38.0 percent, but as NWDA points out, that was a "one time shot in the arm" that won't recur in 1988.

Pharmaceutical sales continued to increase as a percent of the average wholesaler's sales mix. They went to 78.8 percent of all sales in 1987, compared to 76.4 percent in 1986 and 71.7 percent in 1984.

Unfortunately, higher margin front end merchandise continued to decline as a percent of product sales in the 1987 survey. According to NWDA, sundries now account for 3.1 percent of all product mix sales compared to 5 percent in 1984; toiletries are down to 4 percent compared to 18.4 percent in 1984; and proprietaries are down to 12.2 percent compared to 13.5 percent in 1984.

Most wholesalers agree that this shift does have some impact on the continued erosion of gross margins. Hospitals are very price conscious, and they usually give their business to the lowest bidder. This means that many wholesalers have had to sacrifice gross margin profitability to build their base of business with this clientele.

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